
Minerals Management Service OCS Activities Report October 1996 - April 1997



OCS Policy Committee, April 1997

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The OCS Activities Report

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MMS News

Kallaur Named New Offshore Associate Director

The Department of the Interior's (DOI), Minerals Management Service (MMS) Director Cynthia Quarterman recently announced the appointment of Carolita Kallaur as Associate Director for Offshore Minerals Management (OMM). Ms. Kallaur's appointment is part of an overall realignment of agency functions undertaken to increase efficiency and enhance mission effectiveness.

As Associate Director for OMM, Ms. Kallaur is responsible for direction and oversight of all offshore activities, including resource evaluation, environmental assessment, offshore leasing and sale activities management, lease operations, and inspection and enforcement. These mission functions are performed nationally on a daily basis through a Deputy Associate Director and seven Headquarters divisions and three Regional Offices.

Ms. Kallaur holds a Masters in Economics from the University of Connecticut. During her 29 years of Federal service, she has worked on offshore minerals matters in the Bureau of Land Management (BLM) and the Office of the Secretary and has served in several senior executive capacities in the MMS since its establishment in 1982. She has most recently served as MMS Deputy Director.

Her notable career has been highlighted by numerous honors including the Interior Department's Meritorious Service Award in 1985, the Distinguished Service Award in 1987, the Presidential Meritorious Rank Award in 1987 and 1992, and the Presidential Distinguished Rank Award in 1995 for her exceptional contributions to the Offshore Program.

MMS 2000 Reorganization

The **MMS 2000** offshore organization is made up of the **Alaska, Gulf of Mexico (GOM), and Pacific Regional Offices**, which are responsible for implementing and managing the Offshore Programs for resource and environmental resources; evaluations; leasing of mineral resources; and approval and supervision of the private sector's exploration, development, and production operations on the Outer Continental Shelf (OCS) at the field level.

The Regional Offices work together with the seven Headquarters Divisions (see next section) and the Office of the Associate Director in advancing Offshore Minerals Management's national mission.

The **Leasing Division** is responsible for all leasing policy and program development issues. This office provides coordination, oversight, direction, and supervision towards the development of the 5-year Leasing Program and ensures the timely completion and coordination of all preleasing aspects of the offshore leasing program.

The **Engineering & Operations Division** is responsible for the regulatory and compliance requirements of the MMS offshore oil, gas, and minerals program. It provides policy guidance for safety management, pollution prevention, inspection, and regulatory compliance activities. It manages the offshore research, engineering, and technology assessment program.

The **Resource Evaluation Division** is responsible for providing policy guidance and direction of offshore oil and gas geologic and geophysical evaluations and for the development of models for geologic and engineering assessments of mineral resource potential of the OCS.

The **Environmental Division** is responsible for the policy guidance, direction, and coordination of offshore environmental concerns and issues. This office is also responsible for environmental compliance activities of numerous laws and regulations, management of the environmental studies program, preparation of the 5-year Leasing Program Environmental Impact Statement (EIS), and assistance to the field offices with environmental documents and studies.

The **Economics Division** is responsible for identification and analysis of economic issues of the offshore oil, gas, and hard minerals program. The Division develops, analyzes, and recommends policies relating to leasing and production on the OCS. It also designs and prepares rules and regulations needed to carry out fundamental responsibilities of the Bureau, such as assuring that the public receives fair market value from the sale of the rights to OCS oil, gas, and hard mineral resources. The Division plays a major role in developing

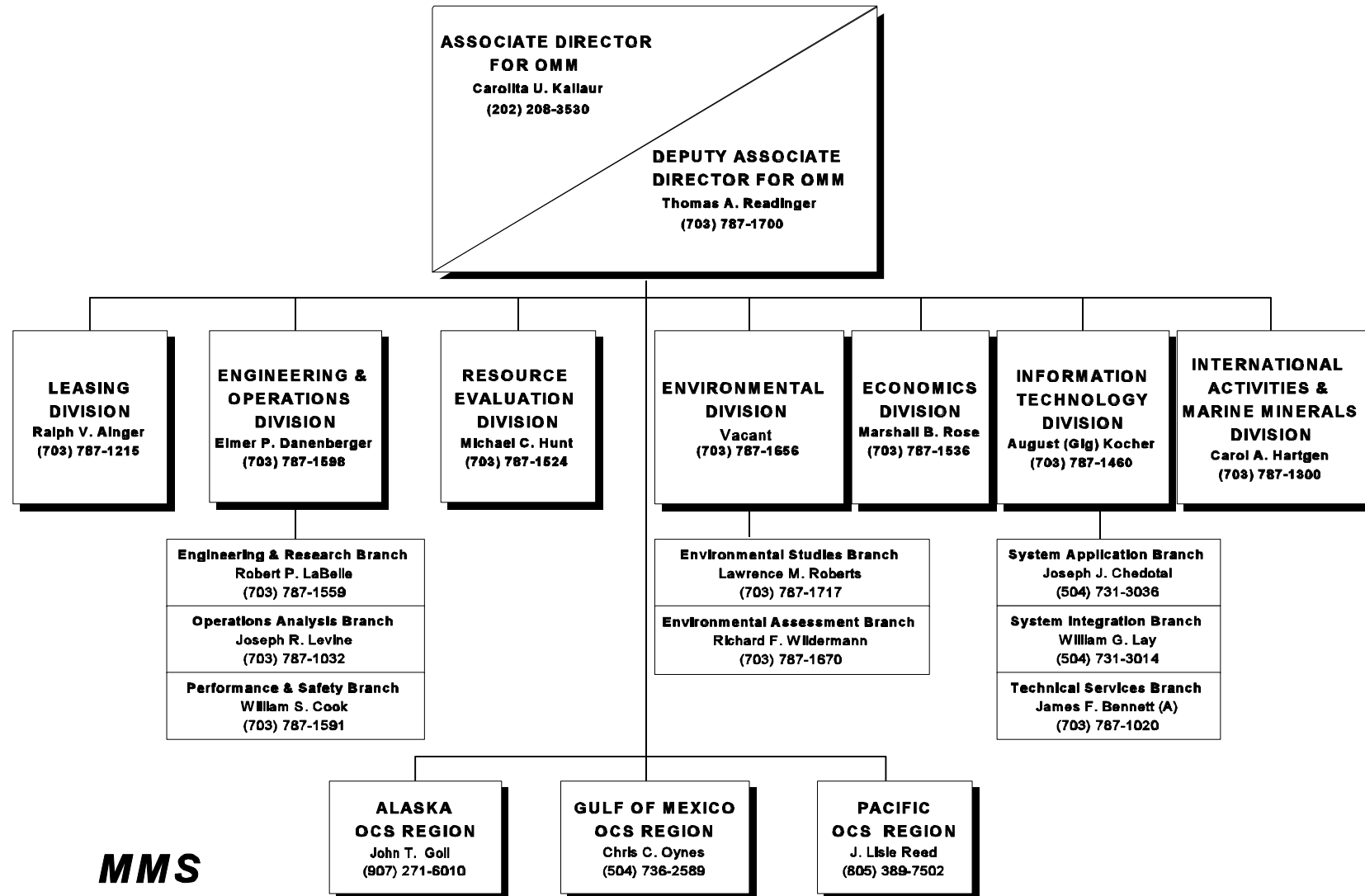
policies and evaluating applications submitted for royalty relief on otherwise uneconomical existing leases.

The **Information Technology Division** is responsible for oversight and policy guidance for information technology management within OMM. The objectives are to provide information technology (IT) tools to Headquarters and Regions of OMM and promote the appropriate use of information technology in the accomplishment of the Bureau's mission.

International Activities & Marine Minerals Division

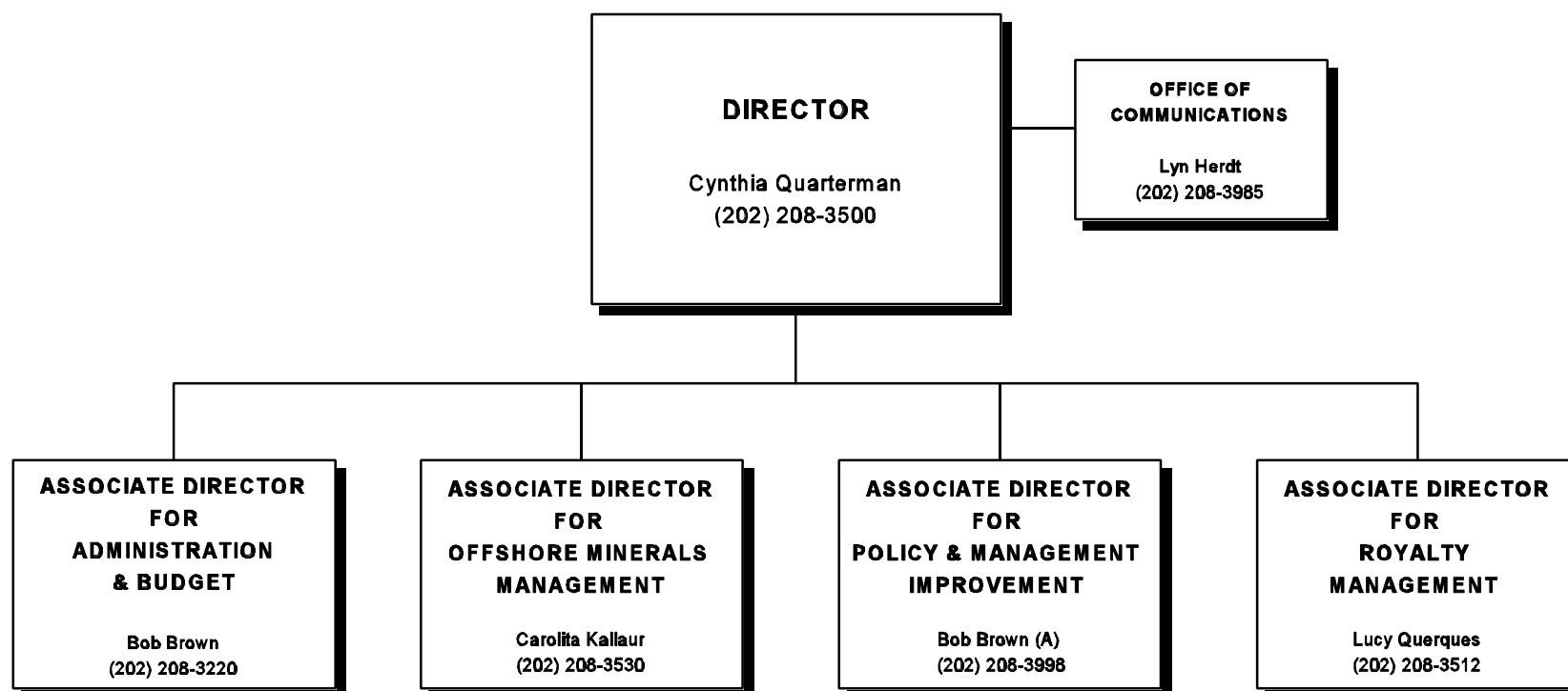
(Intermar) is responsible for the oversight and coordination of MMS involvement in international activities and also provides leadership, policy direction, coordination, and oversight for the marine minerals program.

OFFSHORE MINERALS MANAGEMENT



MMS

MINERALS MANAGEMENT SERVICE



Congressional News

The 105th Congress convened January 7, 1997. The new Congress has a large “freshman” class - 74 new Members of the House of Representatives and 14 new Members of the Senate.

To date, the 105th Congress has spent most of its time addressing budget and appropriations issues and has not yet devoted attention to specific issues of interest to the Offshore Program. However, at this juncture, House and Senate Committees with jurisdiction over MMS programs have informally expressed an interest in looking at the following issues during the course of the 105th Congress:

1. General oversight of the Administration's energy policy and U.S. dependence on foreign sources of oil. Issues include access to public lands and the OCS (specifically, the amount of acreage under moratoria and the impact of moratoria on the Nation's domestic energy production and economy).
2. The OCS oil and natural gas production initiatives. This will include examining the types and amounts of funds spent through the Land and Water Conservation Program and how those expenditures relate to State and local policies for oil and natural gas development.
3. The OCS moratoria. This will include examining the rationale for retention versus elimination of such bans on activity in various areas in an effort to find acceptable ways to increase OCS production.
4. Royalty-in-kind and oil valuation. This will include oversight of MMS's ability and willingness to explore ways to collect royalties “in-kind” as opposed to the cash value, as is currently paid. Also, there will be continuing oversight on MMS's proposed crude oil valuation regulations and an evaluation of their effectiveness.
5. Implementation of recent amendments to Oil Pollution Act of 1990 (OPA-90) (passed in 1996) pertaining to financial responsibility certification requirements for “offshore facilities.”
6. Implementation of the Deep Water Royalty Relief Act (passed in 1995) and possible expansion of royalty relief concept to areas offshore Alaska.

Fiscal Year (FY) 1998 Appropriations—MMS Budget Request

The MMS budget request for FY 1998 is for approximately \$205 million, which is roughly \$600,000 more than that appropriated in FY 1997. Within its essentially flat operating budget, MMS proposes an overall increase of approximately \$6.3 million in the Offshore Program to address the increased workload associated with the dramatic upturn in industry interest in the Gulf of Mexico OCS. For example, in 1996 alone, over 1,500 additional tracts were leased in the central and western Gulf of Mexico. And in the March 1997 Central Gulf of Mexico Sale 166, industry bid on over 1,000 additional tracts.

The proposed increase in funding will be used to fund additional environmental studies related to deep-water leasing; to fund increased administrative reporting and permitting requirements; to acquire new geological and geophysical data and correct and computerize historical well log data; and to fund increased regulatory workloads, including increased helicopter costs. A large portion of this increase will be offset by decreases in several MMS program areas (in particular, the Royalty Management Program) where streamlining and other program efficiencies have been realized.

The MMS did not have a formal hearing on its FY 1998 budget request by either the House or Senate Appropriations Subcommittee on Interior. However, on April 1, 1997, the MMS Director and the Associate Directors for Offshore, Royalty Management, and Administration met with House and Senate Appropriations staff to discuss MMS's request and the rationale for that request.

In a related matter, on March 4, 1997, the House Resources Subcommittee on Energy and Mineral Resources held a hearing on the FY 1998 budget requests of agencies under their jurisdiction—including MMS. Associate Director for OMM Carolita Kallaur testified on behalf of MMS. The Subcommittee was interested in MMS's expanded workload in relation to the rise in interest in the Gulf of Mexico; how MMS planned on spending the requested increase in funds for the Offshore Program; and whether the decrease in funding in the Royalty Management Program would affect implementation of the recently passed Federal Oil and Gas Royalty Simplification and Fairness Act.

As the authorizing Committee for MMS and other DOI bureaus, the Resources Committee will submit to the Appropriations Committee its recommendations with regard to FY 1998 funding levels. The Appropriations Committee will then consider these funding recommendations as it begins to determine bureau funding levels for FY 1998.

Legislation Introduced during the 105th Congress Affecting the Offshore Program

H.R. 133 (Cunningham, CA) - a bill to provide for a moratorium on leasing, exploration, and development on OCS lands offshore the State of California. In general, the Secretary of the Interior would be prohibited from (1) issuing an oil or gas lease offshore California until January 1, 2007, or 45 days of continuous session of Congress after the issuance of the final EIS for the second OCS 5-year oil and gas program prepared after the bill's enactment, and (2) approving OCS exploration and development activities until after 45 days of continuous session of Congress after submittal to the Congress of the studies to acquire the information with respect to California found inadequate by the National Research Council report done in 1990.

H.R. 180 (Goss, FL) - a bill to provide for a moratorium on all OCS leasing, exploration, and development activities offshore the State of Florida until certain scientific and environmental information is obtained by the Secretary. In general, the bill would prevent the Secretary from allowing any prelease, leasing, and

postlease activities until the research called for in the bill is conducted and peer reviewed and a report is transmitted to Congress by the Secretary certifying that the information is adequate to enable him to carry out his responsibilities under the OCS Lands Act and other applicable laws. However, in no case can the Secretary conduct any leasing or approve exploration and development activities in the eastern Gulf of Mexico area that lies south of 26 degrees North latitude and east of 86 degrees West longitude.

Both bills have been referred to the House Resources Committee but have had no action taken on them. It should be noted that these bills are either identical (or very similar) to moratoria legislation introduced in the 104th Congress.

Leasing Division

5-Year Program for 1997-2002

In November 1996, Secretary of the Interior Bruce Babbitt approved the 5-Year OCS Oil and Gas Leasing Program for 1997-2002. The new program is the product of a 2-year process of extensive consultation and analysis conducted by MMS in accordance with the requirements of the OCS Lands Act (OCSLA) and the National Environmental Policy Act (NEPA). The program is based on a consideration of the principles and factors of OCSLA, potential environmental effects as determined by analysis under NEPA, and Administration policy objectives calling for decision-making based on science and consensus and encouraging the use of natural gas as an environmentally preferred fuel.

Over 3,000 individuals and organizations participated in the program preparation process by submitting comments and attending public meetings. The OCS Policy Committee played an integral part by establishing the Alaska Regional Stakeholders Task Force to facilitate consultation with constituents of the OCS program in the Alaska Region. The recommendations developed by the Task Force and forwarded to the Secretary through the Policy Committee formed the basis for the new 5-year program's Alaska component.

The 5-year program for 1997-2002—which goes into effect July 1, 1997—schedules 16 proposed lease sales in 8 OCS planning areas.

5-Year Program for 1997-2002 Schedule of Proposed Lease Sales

Year	Sale No.	Planning Area
1997	168	Western Gulf of Mexico
1998	169	Central Gulf of Mexico
1998	170	Beaufort Sea
1998	171	Western Gulf of Mexico
1999	172	Central Gulf of Mexico
1999	173	Cook Inlet/Shelikof Strait
1999	174	Western Gulf of Mexico
2000	175	Central Gulf of Mexico
2000	176	Beaufort Sea
2000	177	Western Gulf of Mexico
2001	178	Central Gulf of Mexico
2001	179	Gulf of Alaska
2001	180	Western Gulf of Mexico
2001	181	Eastern Gulf of Mexico
2002	182	Central Gulf of Mexico
2002	183	Chukchi Sea and Hope Basin



Streamlining the Leasing Process

In mid-1996, the Leasing Division worked with the Gulf Region, the Alaska Region, and other Headquarters staff to develop and implement improvements in the prelease decision process. An improved prelease process for Central and Western Gulf sales was approved by the Associate Director for OMM in July 1996. A key feature of this process is the preparation of a multisale EIS for each planning area, covering all of the lease sale proposals in these planning areas in the 1997-2002 5-year program (except for the 1997 Western Gulf sale). As the initial step prior to EIS preparation, a multisale Call for Information for the Central Gulf of Mexico was issued in August 1996 and for the Western Gulf of Mexico sale in January 1997.

An improved process for the Alaska Region, providing flexibility for the Regional Director in consulting with stakeholders early in the lease sale decisionmaking process, was approved in August 1996.

Global Positioning System Working in Gulf

The Leasing Division has acquired several Global Positioning System (GPS) units and services. These GPS receivers are able to access the more precise locational information from the GPS satellites that were created for and are normally accessible by military personnel. Commercially available GPS units can determine locations up to 100 meters, while military restricted units can place a precise location to 6 meters. The units are currently being used to determine exact

locations of 3,900 Federal oil and gas platforms located in State waters in the Gulf of Mexico. The Gulf Region is also working with the State of Louisiana to record the precise location of thousands of platforms and single-well units in State waters.

Mapping and Survey Staff

The Mapping and Survey Staff (MSS), is located in Lakewood, Colorado. One of the major functions of the MSS is to determine the location of the State-Federal baseline, which is located at the low-water mark along the shoreline. The MSS determines the location using the best available maps. If there are no adequate maps, such as in Northern Alaska, the MSS works with other Federal and State agencies to survey the shoreline. The State-Federal boundary is projected offshore from the baseline. Except for those areas where the baseline has been fixed by joint agreement between MMS and the State, the baseline varies with changes in the shoreline. This changes the location of the State-Federal boundary. Because the area next to the State-Federal boundary is frequently leased, the exact location of the boundary is very important.

As part of their work on the baseline, the MSS has been involved in a suit brought by the State of Alaska. The most important part of this suit concerns the exact location of the baseline in the Dinkum Sands area. The U.S. Supreme Court recently held hearings on this suit and the ruling is expected before the end of this session.

U.S.-Mexico Maritime Boundary Issue

As recent activities have moved farther out into the deeper waters of the Western Gulf of Mexico, the status of the lease tracts beyond 200 miles has become more important.

The Interior Department's AS/LM Bob Armstrong established the Department's position in a December 30, 1996, letter to the Department of State (DOS), urging that the western gap issue be made a priority. Since then, DOI and DOS have been meeting with industry representatives. Discussions have centered on the

potential for ratification of the 1978 maritime boundary agreement with Mexico, setting the boundary out to 200-nautical miles from the coasts, and using an equidistance formula where the 200-mile lines overlap.

In setting the 200-mile line, the 1978 agreement left two areas undecided—the eastern gap and the western gap. The Mexican government has indicated informally to DOS that it will not entertain negotiations over the gaps until the United States ratifies the 1978 agreement, which Mexico ratified in 1979.

Engineering & Operations Division

Rulemaking Activities

Deep-Water Royalty Relief - The OCS Deep Water Royalty Relief Act of 1995 (DWRRA) established a royalty suspension program for both new and existing deep-water leases in the Gulf of Mexico. The MMS has published three regulations to implement the provisions of this Act.

1. On February 2, 1996, the MMS published a final rule modifying the bidding systems that can be used to offer OCS tracts for lease. This rule established the regulatory authority to offer tracts for lease with royalty suspensions, as mandated by the DWRRA for the deep-water Gulf of Mexico.
2. On March 25, 1996, the MMS published an interim final rule specifying the terms under which MMS makes royalty suspensions available on new deep-water leases (i.e., those leased after the November 25, 1995, date of enactment). These provisions helped MMS achieve record-breaking sales in the Central Gulf of Mexico in 1996 and 1997, and in the Western Gulf of Mexico in 1996.
3. On May 31, 1996, the MMS published another interim final rule, which implemented the DWRRA's provisions for granting royalty suspensions to deep-water leases in the Gulf of Mexico that were issued prior to November 28, 1995.

The Bureau has received a number of detailed comments on both interim rules, which will be carefully considered as MMS proceeds to final rulemaking. Final rules are scheduled to be issued in late 1997.

Deep-water Lease Terms - On October 30, 1996, MMS published a final rule to eliminate the automatic drilling requirement on new 8-year term leases and included water-depth criteria for delineating these terms.

Lease Extension - On October 30, 1996, MMS published a final rule to increase from 90 to 180 days the time MMS allows between operations on a lease that continues beyond its primary term.

OPA 90 Oil Spill Response Plans - A proposed rule on OPA oil-spill response plans was published on January 13, 1995. The rule expanded an earlier Interim Final Rule to address criteria for worst case spill and plan approval and to require that the plan address spill prevention in State waters. A final rule was published on March 25, 1997.

OPA 90 Oil-Spill Financial Responsibility - A proposed rule was published March 25, 1997, to implement financial responsibility requirements as mandated by OPA 90. The rulemaking specifies the means of demonstrating financial responsibility. The

rule includes facilities in State waters seaward of the line of ordinary low water.

Blowout Preventer Testing Requirements - The MMS is drafting a proposed rule to allow a lessee up to 14 days between Blowout Preventer (BOP) pressure tests versus the weekly tests currently required by the regulations. The MMS decided to revise this timeframe based on a recent study.

Documents Incorporated by Reference - The MMS published a final rule amending the documents incorporated by reference on November 26, 1996. The organizations that publish the incorporated documents have revised many of their recommended practices and standards and have published new editions. The new editions will continue to ensure that lessees use the best available and safest technologies while operating in the OCS.

Bonding Requirements—Phase II - The MMS published an Notice of Proposed Rulemaking (NPR) on December 8, 1995, to bring MMS's bonding requirements for rights-of-way and Geological and Geophysical (G&G) (Deep Stratigraphic Test) permits into line with the final rule that became effective November 26, 1993. The proposed rule would establish a deadline for all leases to be brought into compliance with the new bonding requirement; establish a regulatory regime for alternative forms of security; and update bonding requirements for right-of-way and G&G permits. The comment period ended May 6, 1996. The MMS is preparing a Notice of Final Rulemaking to be published in April 1997.

Hydrogen Sulfide Operations - The MMS developed amendments to regulations governing operations in an area with hydrogen sulfide and published a final rule on January 27, 1997. The rule became effective on March 28, 1997.

Civil Penalties - A proposed rule amending Subpart N-Civil Penalties was published on December 19, 1996. The rule is rewritten in plain English and amends the subpart to streamline the current process and increase the maximum penalty to \$25,000. In keeping with NPR goals for paperwork reduction, the rulemaking reduced five pages to a single page.

Unitization - The MMS published a final rule amending unitization regulations on February 5, 1997. The revision removes two model unit agreements—one for exploration, development, and production units and the other for development and production units. The model agreements will be available from the regional supervisor.

G&G Exploration - The MMS published a proposed rule to revise and update G&G Explorations of the OCS on February 11, 1997. The revised rule includes an expanded requirement for a notice to conduct any geological or geophysical research in the OCS.

Proposed Rulemaking for Safety and Pollution Prevention Equipment (SPPE) Quality Assurance (QA)

- The MMS published a proposed rule on December 18, 1996, that requires all SPPE installed

in OCS wells after April 1, 1998, to be QA certified. Allowance has been made for non-QA certified SPPE to remain in the wells until they fail or are removed for any reason. The comment period closed on February 18, 1997. The MMS is analyzing the comments received and will publish a final rule.

Oil and Gas Production Measurements - On February 26, 1997, MMS published a proposed rule revising Subpart L-Oil and Gas Production Measurement, Surface Commingling, and Security. The revision updates regulations to be consistent with current industry standards, provides a basis for gas verification, and establishes standards under which surface commingling of gas would be allowable. A new section provides for measurement or estimation of the amount of royalty free gas that is used on the lease.

Memorandum of Understanding (MOU) Between the Departments of the Interior (DOI) and Transportation (DOT) Concerning OCS Pipelines

The MOU was signed by both the Secretary of the Interior and the Secretary of Transportation December 10, 1996, and published in the *Federal Register* on February 14, 1997. Under the earlier MOU of May 6, 1976, MMS had jurisdiction over oil and gas pipelines located upstream of the outlet flange of each facility where hydrocarbons were first produced or where produced hydrocarbons were first separated, dehydrated, or otherwise processed, whichever facility was farther

upstream. That arrangement was awkward because DOT-regulated pipelines crossed DOI-regulated platforms.

Under the new MOU, MMS and the DOT's Office of Pipeline Safety (OPS) agreed with an industry proposal to allow individual operators of production and transportation facilities to define the boundaries of their respective facilities, because producers and transporters can best make such decisions based on the operating characteristics peculiar to each facility.

As a result of this new arrangement, about half of the OCS pipelines currently subject to DOT regulations will instead be subject to similar DOI requirements. The MMS's responsibility will increase from covering about one-third of OCS pipelines to as much as two-thirds of OCS pipelines. (There is a total of about 20,000 miles of active OCS pipelines.)

Under the MOU, MMS will inspect DOT-regulated pipelines and associated facilities for potential violations of DOT regulations. The MMS and OPS are currently coordinating the following tasks: (1) setting priorities and guidance for developing compatible regulations, (2) establishing training programs for MMS inspectors to carry out inspections on DOT-regulated facilities, and (3) setting up a system for MMS-DOT enforcement actions. The rulemaking process to implement the MOU is underway.

Blowout Preventer Inspection Frequency

The MMS completed a study of blowout preventer (BOP) performance during drilling activities on the OCS. The December 1996 study, which was a joint effort by industry and government, evaluated the reliability and performance of BOP equipment.

The study examined the failure rates for components on both surface and subsea BOP systems. It concluded that no statistical difference in failure rates existed between BOP's tested every 7 days and those tested between the 8- to 14-day interval.

After meeting with industry to discuss the results of the study, MMS issued a Notice to Lessees on January 31, 1997, that allowed lessees to test BOP systems on intervals up to 14 days. This action revised the longstanding requirement for weekly testing of BOP systems. This policy and regulatory change will sharply reduce industry drilling costs without increasing the risk to human safety and the environment. The MMS has started the rulemaking process to promulgate these requirements into existing regulations.

Research Priorities Established for FY 1997 Technical Assessment and Research Program (TARP)

The proposed research for FY 1997 reflects the new and traditional directions of the research program to support:

1. Deep-water operations such as the integrity of deep-water structures and pipelines. Also under development is the use of low weight, high strength, and corrosion resistant composite materials for deep-water structures;
2. Spill mitigation measures to include cleanup, containment, and remote sensing/spill mapping technologies;
3. The aging offshore infrastructure to include both platforms and pipelines as well as issues relevant to decommissioning offshore oil and gas facilities; and
4. Human and organizational factors and how they can be used to reduce the risk of accidents.

The TARP is again performing its research in cooperation with the offshore industry or with other Government agencies, both national and international. This cooperative approach allows the TARP to leverage its funding at up to a 6:1 ratio.

Ohmsett Interactive CD-ROM

An interactive CD-ROM has been developed on the Ohmsett facility. The CD-ROM depicts the history of MMS refurbishment and management of the facility since 1991. The CD-ROM offers the viewer a choice of short films showing the different kinds of testing of oil-spill response equipment as well as the major features and testing capabilities of Ohmsett. There is also an updated section describing all the reports generated at Ohmsett since MMS began managing it.

This updated CD-ROM has been used for information transfer and marketing of Ohmsett most recently at the March 14-17, 1997, Fourth International Conference on Remote Sensing for Marine and Coastal Environments in Orlando, Florida. It was also displayed at the April 7-10, 1997, International Oil Spill Conference in Fort Lauderdale, Florida. The information from this CD-ROM has also been incorporated in an interactive CD-ROM on the entire TARP described below.

The TARP Interactive CD-ROM

The TARP is developing an interactive CD-ROM on the entire research program. The CD-ROM covers two components of the TARP: Engineering and Safety Research and Oil-Spill Response Research. There are 16 topic areas describing the research program with pictures and text, and some have short videos. One section highlights the cooperative research by the TARP with 11 other countries. Another section describes the 21 different TARP co-sponsored international workshops on such diverse topics as offshore oil and gas facility decommissioning; the role of human and organizational factors in offshore safety; and the use of innovative and composite materials in fabricating deep-water structures. Finally, there is a section on the availability of more than 3,500 TARP reports and publications. This CD-ROM has music, 2-D and 3-D animation, narration, and videos. The CD-ROM is currently in the beta-testing phase and will be available by the summer of 1997 in a hybrid form that plays on both Apple McIntosh and PC compatible machines.

Subpart O Training Regulations Update

Current Subpart O-Training regulations provide detailed requirements for operator and contract employees in drilling, well-completion, workover, and well-servicing well control, and production safety operations. In an effort to streamline these requirements, provide more flexibility, and reduce regulatory detail, an Advanced Notice of Proposed Rulemaking (ANPR) was published in the *Federal Register* in August 1994. This ANPR introduced the concept of a more performance-based training system, including the use of alternative training techniques, third-part accreditation, and MMS student testing.

In November 1995, an NPR was published in the *Federal Register* requesting input on a set of new offshore training regulations. The NPR proposes to allow the use of alternative training technologies, provides for independent third-party accreditation of training schools, eliminates refresher training and training window requirements, reduces the number of course options, and drastically reduces regulatory detail.

On December 6, 1995, a 1-day workshop was held to provide the public an opportunity to give MMS additional input on the NPR. The NPR provided for a 90-day public comment period, which closed on January 31, 1996. On June 20, 1996, the MMS published a notice requesting input from potential third-party accreditors on the best method to implement third-party accreditations. The comment period closed on July 22, 1996. The MMS reviewed all of the comments and, in some instances, revised the final language based on these comments.

However, the most significant change from the proposed rule to the final rule was that MMS elected not to have third-party accreditation. The decision was based in part on the comments received against third-parties accrediting schools, which cited additional costs, potential conflicts of interest, and additional management layers. The MMS agreed with the commenters and now plans to move into a performance-based training program through a future rulemaking. The final rule was published on February 5, 1997, with an effective date of March 7, 1997.

Resource Evaluation Division

Resource Evaluation Models

The Resource Evaluation Division's Modeling Team is placing its primary focus and priority on improvements in the MONTCAR model used in tract evaluation. An equally important priority is to increase the number of technical staff in the Resource Evaluation (RE) Program who have a good, sound understanding and working knowledge of this model to ensure that in future years the model will be properly maintained and modified to meet the Bureau's needs. Other RE models that the team is responsible for include GRASP (Geologic Resource Assessment Program) used for resource assessments and PRESTO (Probabilistic Resource Estimates, Offshore) used to derive economic resource estimates as well as the reserves model.

Continental Margins Symposium

From 1983 through 1993, the MMS provided funding to coastal State Geological Surveys to conduct studies of the continental margins in three basic areas of research:

- (1) geologic framework for petroleum-related studies,
- (2) studies related to strategic/critical marine minerals, and
- (3) environmental geologic studies.

The Texas Bureau of Economic Geology at The University of Texas at Austin, which is a member of the Continental Margins Committee of the Association of

American State Geologists (AASG), was given the responsibility of monitoring the subagreements with the coastal States.

Final deliverables (reports) from the last 2 years of research are being completed and submitted. The MMS has recognized that direct interchange of both ideas and research direction among MMS, the coastal States, and industry has been beneficial to the program as a whole and to all participants. Therefore, MMS and the Texas Bureau of Economic Geology have agreed to organize a fourth symposium to allow for the presentation of research results from the last 2 years of the cooperative agreement. Participants in the symposium will include representatives from each participating coastal State, MMS personnel, and invited industry representatives. The symposium will be held November 16-19, 1997, in Corpus Christi, Texas.

Revision and Modification of Regulations at 30 CFR Part 251 for Prelease Geological and Geophysical (G&G) Exploration of the Outer Continental Shelf

To respond to changes in both technology and practice, the RE Program has modified the regulations at 30 CFR Part 251 regarding G&G prelease activities on the OCS. The major modification expands the provisions governing research by requiring everyone who conducts G&G scientific research for oil, gas, or sulphur on the OCS without a permit to file a notice with MMS. Other modifications include clarification on the meaning of terms such as "transfer" and "third party," updating of addresses for filing permit applications and notices,

updating the definitions list, and making these regulations more consistent with other established offshore regulations. The draft notice of this proposed rule was published in the *Federal Register* on February 11, 1997, with comments due by April 14, 1997.

Making Prelease G&G Exploration Permits Available on the Internet

To promote the use of information technology to improve MMS business processes, the RE Program initiated the effort to make available on the MMS internet home page for each Region the permit application for a prelease OCS exploration permit. The permit application may then be downloaded and printed by the potential applicant. The prelease OCS exploration permit form and associated regional stipulations would also be made available for information purposes. Electronic filing would not be available due to the fact that maps must be attached to a completed application and they are considered proprietary. Forms and diskettes of the permit application and the permit forms were transmitted to the Regions in December 1996 and will be made available by each Region commensurate with that Region's internet capabilities.

Proposed Resource Evaluation Program Publications

To make available important technical and programmatic information into the public domain, the RE Program has

traditionally prepared OCS Reports on hydrocarbon resources, G&G data acquisition, geology of OCS areas, etc. Publication of these reports is based upon work priorities and availability of personnel. During the current fiscal year, the RE Program has four such publication projects at various stages of development. They include the following:

- *Prelease Permitting Process for Oil, Gas, and Sulphur on the Outer Continental Shelf;*
- *Mapping the Foot of the Continental Slope With Spline- Smoothed Data Using the Second Derivative in the Gradient Direction;*
- *Geological and Geophysical Data Acquisition, Outer Continental Shelf Through Fiscal Year 1995;* and
- a report on general resource assessment methodologies.

Revisiting the MMS/National Oceanic and Atmospheric Administration (NOAA) Geological and Geophysical (G&G) Data Dissemination Agreement

The MMS releases G&G data and information, with the notable exception of well logs, through the NOAA National Geophysical Data Center (NGDC) in Boulder, Colorado, under a data dissemination agreement signed by both Bureaus in 1985.

The procedure is for MMS to inventory and forward to NGDC data and information whose proprietary terms have expired and NGDC has determined have sufficient public interest. The MMS and NGDC then issue a public announcement of data being released. Initial expiration of the 25-year proprietary term for geophysical information established under the regulations at 30 CFR Part 251, which commenced in June 1976, will occur, at the earliest, in 2001. However, considering the volume of geophysical information that has been retained by MMS, especially in the Gulf Region, this has become an issue that needs to be addressed.

The Resource Evaluation Division has asked RE personnel in each Region to review the current data dissemination agreement and see what modifications, if any, need to be made, especially in light of ever-changing technology in the geophysical community. The possibility of issuing some type of announcement that solicits from the public its expected interest in information that is due to become available would give MMS and NGDC some idea of the market interest from potential users and could help address how the two Bureaus approach this issue. Comments on the initial review of the agreement by the regions are due the end of April 1997.

Environmental Division

National Oceanographic Partnership Program (NOPP)

In September 1996, the Department of Defense Authorization Act (P.L. 104-201) was signed into law and established the National Oceanic Partnership Program (NOPP).

As part of the NOPP, the National Ocean Research Leadership Council (Council) was established to coordinate national oceanographic programs and to coordinate policy efforts of Federal activities involved in oceanographic surveys and research. In March 1997, the U.S. Department of Navy, the Department of Justice, and White House legal counsels selected the 12 Federal members for the Council. The nonfederal members will be added at a later date when NOPP bill language is changed to reflect that they will be appointed by the President. The Director of MMS is one of the Council's Federal members. The first meeting of the Council should take place in April or early May 1997. In the meantime, the interagency work group is coordinating review and award of proposals submitted to the NOPP in FY 1997 for ocean research and education.

OCS Scientific Committee

The last meeting of the OCS Scientific Committee convened on November 20-24, 1996, in Herndon, Virginia.

The agenda topics included:

- (1) a status update on various FY 1997 Environmental Studies Program concerns, the National Oceanographic Partnership Act, and the Coastal Marine Institute;
- (2) the results of research conducted by Chevron on socioeconomic pacts and public opinion for the Florida Panhandle;
- (3) the MMS National Socioeconomic Research Guidance Document developed to help identify and guide collection of socioeconomic information;
- (4) major MMS issues such as MMS 2000, deep-water Gulf of Mexico and Arctic research issues, the new 5-year program, and recent lease sales in the Gulf of Mexico and Beaufort Sea;
- (5) a status update on work of the Joint Subcommittee on Environmental Information for Moratoria Areas;
- (6) a summary of the 1996 MMS-sponsored lease abandonment workshop and some of the key environmental and technological/operational issues associated with platform abandonment; and
- (7) an update on deep-water leasing and drilling in the Gulf of Mexico.

The OCS Scientific Committee will hold its spring meeting on May 21-22, 1997, at the Scripps Institution of Oceanography in LaJolla, California. Key agenda items include:

- (1) review and approval of the report by the Joint Subcommittee on Environmental Information for Moratoria Areas,
- (2) discussion and recommendations for addressing information needs associated with deep-water

-
- development, and
- (3) review of the Coastal Marine Institutes and recommendations for renewal.

Environmental Studies Overview

The Environmental Studies Program (ESP) will continue to seek leveraging opportunities to conduct research with other Federal agencies and with States, local governments, and industry.

In anticipation of industry interests in the **Gulf Region** deep-water areas, the ESP will undertake a major study of Gulf chemosynthetic communities this year. Additionally, an April 21-24, 1997, workshop in New Orleans will help MMS develop a research agenda to address deep-water environmental and socioeconomic issues. Several ongoing Gulf efforts focus on northeastern Gulf activities. These include a collection of field observations and modeling of physical oceanographic conditions in the northeastern Gulf and socioeconomic assessments in Alabama and Florida areas.

In the **Alaska Region**, several major studies efforts are planned or ongoing:

- (1) a planned bowhead feeding study in the eastern Beaufort, using scientific methods and Native traditional knowledge, to evaluate the area's importance to and use by bowhead whales;
- (2) an ongoing multiagency effort to conduct site-specific monitoring of ring seals, a "keystone" species
- (3) representing top-level predators in the food chain that are at risk from OCS operations and potential spills; and
- (3) ongoing core studies (such as petroleum-technology assessments, statewide and local economic and demographic forecasts, commercial-fishing effects, regional socioeconomic and sociocultural systems studies, and transportation-system effects) to predict social and economic effects from offshore oil and gas activities, which have been difficult in the past because of a lack of data and the nature of subsistence dependence and the nonurban character of the Native culture.

In the **Pacific Region**, physical oceanographic studies and modeling in the Santa Maria Basin and Santa Barbara Channel areas continue to be a priority. Additionally, several ongoing efforts focus on various aspects of environmental monitoring and cataloging of biological resources. Socioeconomic issues within the tri-county area are also being addressed through several projects, including the California Offshore Oil and Gas Energy Resources Study.

The MMS has been working with several States to locate and define sources of sand potentially available for immediate use in beach nourishment projects. To support this activity, the ESP will conduct environmental studies off the coasts of New Jersey, Alabama, Maryland, Delaware, and North Carolina. These studies will focus on biological and physical surveys to provide information for environmental impact analysis for the areas being considered for dredging.

Status of Coastal Marine Institutes

Coastal Marine Institutes (CMI's) were developed as part of an initiative to cultivate new State-Federal research partnerships on environmental and socioeconomic issues of mutual concern. Through their universities, the participating States provide matching funds of at least one dollar for each dollar provided by the MMS.

The CMI's are now established in Louisiana at Louisiana State University (LSU), in Alaska at the University of Alaska at Fairbanks, and in California at the University of California at Santa Barbara. More than 60 projects have been initiated to date through the CMI program. Annual reports covering 1996 activities have recently been received from the Alaska and California CMI's, and final reports are now being received for some of the first projects started in the Louisiana CMI.

The cooperative agreements for the CMI's in Louisiana and Alaska will expire in September 1997, and discussions are underway regarding renewal of these cooperative agreements for another 5-year term. Minor changes have been suggested to the general CMI scheme in Louisiana, wherein researchers from universities in the other Gulf Coast States may be invited to submit proposals to the CMI. Management of the CMI would remain at LSU to keep administrative costs to a minimum, to provide continuity to the program, and because of its central location.

The accomplishments and future directions of CMI's will be an agenda item for the Scientific Committee meeting in May 1997.

Coordination with the U.S. Geological Survey Biological Resources Division

A formal process for cooperation between the U.S. Geological Survey (USGS) and MMS was established in December 1995 to use appropriate USGS expertise for certain environmental studies.

During FY 1996, MMS and USGS met several times to review the planned MMS marine environmental study projects and pertinent USGS capabilities and interest.

The MMS also provided USGS with the FY 1998-99 Strategic Studies Plans and invited them to attend meetings of the OCS Scientific Committee. The USGS, in turn, informed MMS of its planned research to facilitate the possibility for additional partnerships. The USGS is currently conducting an analysis of satellite oceanography data in the northeastern Gulf of Mexico for the MMS. Future areas of cooperative study may involve physical oceanographic projects, marine mineral efforts in the Gulf of Mexico or Atlantic, and Geographical Information Systems (GIS) data support.

At the beginning of FY 1997, the National Biological Survey (NBS) was merged with the USGS as the Biological Resources Division (BRD). The MMS plans on developing formal coordinating procedures with BRD during FY 1997 to replace the MOU that had established working relationships between MMS and NBS.

Other Items of Interest

Compliance with Executive Order 13007, “Indian Sacred Sites” - On February 20, 1997, MMS submitted to the Department’s Office of American Indian Trust a draft policy statement outlining how the MMS will comply with the provisions of Executive Order 13007, “Indian Sacred Sites.” Executive Order 13007 directs Federal land managing agencies to:

- (1) accommodate access to and ceremonial use of Indian sacred sites by Indian religious practitioners and
- (2) avoid adversely affecting the physical integrity of such sacred sites.

The DOI must submit a report outlining the Department’s progress in implementing this order to the President by May 24, 1997.

The MMS Offshore Minerals Management staff and MMS Royalty Management staff are developing an overarching policy statement for all program aspects requiring government-to-government consultations and coordination with federally recognized Indian tribes. This policy statement will incorporate the June 1995 “Minerals Management Service Statement of Policy and Approach on Indian Royalty Management” as well as the draft policy statement on Indian Sacred Sites.

London Convention Waste Assessment Framework for Platform Disposal at Sea - The 1996 Protocol to the London Convention (LC) contains a list of substances that may be considered for dumping at

sea, one of which is “platforms and other man-made structures at sea.” The LC Scientific Group decided at its May 1996 meeting to develop a Waste Assessment Framework (WAF) for each of the listed substances. The WAF for Platforms and other Man-Made Structures at Sea will be used by contracting parties to the LC as a tool in deciding among disposal alternatives for decommissioned offshore structures. A U.S. interagency work group (MMS, Environmental Protection Agency (EPA), NOAA, Department of Energy (DOE), Corps of Engineers (COE), and Department of State (DOS)) drafted this WAF and, on March 14, 1997, sent it to the International Maritime Organization (Secretariat for the LC) to distribute to all delegations in preparation for the May 12-16, 1997, meeting of the LC Scientific Group in London.

Federal Coastal Zone Consistency Regulations - The NOAA is undertaking the first major revision of the Federal consistency regulations. These revisions will:

- (1) integrate 17 years of consistency experience and Office of Coastal Resource Management guidance,
- (2) incorporate the 1990/1996 amendments and associated legislative history,
- (3) clarify that no Federal activities are categorically exempt from the Federal consistency process,
- (4) emphasize an “early consultation” philosophy, and
- (5) update organizational references and make minor corrections.

Because the proposed changes are quite extensive, NOAA initiated an informal preliminary review process to help Federal agencies evaluate the proposed

regulations. The first informal meeting involving Federal agencies was held on January 24, 1997. Participants from the Departments of Commerce (NOAA), Interior (MMS, Fish and Wildlife Service (FWS), Bureau of Land Management (BLM)), Defense (Navy, Air Force, COE), Transportation (U.S. Coast Guard), and Energy discussed concerns, questions, and suggestions surrounding the proposed changes. The NOAA is presently incorporating the Federal Agencies' comments and plans to circulate a revised version in early May.

Streamlining the National Environmental Policy Act (NEPA) Process - Since 1983, an OCS oil and gas lease sale has been held annually in both the Central and Western Gulf of Mexico Planning Areas.

Because the sales are scheduled on a yearly basis, the process of meeting NEPA requirements was previously simplified by combining the EIS's for both the Central and Western Gulf into a single document.

An EIS has been prepared for areawide Central and Western Gulf sales each year for more than a dozen years. To reduce repetitious NEPA documentation for each of these sales, the MMS is now preparing a single EIS for all five Central Gulf sales in the 1997-2002 OCS Leasing Program and a single EIS for the four annual Western Gulf sales beginning with the 1998 sale. The "multisale" EIS's will include an analysis of a single "typical" sale and a cumulative analysis of the effects of long-term development in the planning area.

Since subsequent sales are expected to be similar to the first sale covered in the multisale EIS, the impact

analysis is applicable to each of the subsequent sale proposals; however, an Environmental Assessment (EA) or supplemental EIS will be prepared for each subsequent sale.

This multisale EIS approach is beneficial in that it (1) focuses the NEPA process by distinguishing changes in impacts from sale to sale, (2) highlights new issues for the decisionmaker and public, (3) encourages an emphasis on long-term, cumulative effects, (4) eliminates the issuance of a complete EIS for each sale year after year, thus eliminating reviewer burnout, and (5) reduces costs and allows for more efficient use of staff. A draft multisale EIS for the Central Gulf sales is scheduled to be filed with EPA in May 1997.

Economics Division

Deep Water Royalty Relief Act

A multi-disciplined team with members from the Gulf of Mexico, Policy and Management Improvement, and the Economics Division was established to implement the OCS Deep Water Royalty Relief Act. Activities included an industry workshop in New Orleans in March 1996 and drafting and publishing interim rules on deep-water royalty relief for new leases (March 1996) and existing leases (May 1996), guidelines, and a computer model with a user's guide for use by applicants to apply for deep-water royalty relief in June 1996. The team is in the process of preparing final rules that are responsive to issues raised in meetings with industry (July and September 1996) and comments on the interim rules. The final rules are scheduled to be published in the fall of 1997. The result will be a more balanced and responsive application process that reduces data requirements and ensures receipt of fair market value.

On January 24, 1997, MMS published a notice in the *Federal Register* requesting input on whether and how MMS should consider royalty relief for nonproducing leases in any water depth in the Central and Western Gulf of Mexico Planning Areas and the portion of the Eastern Gulf of Mexico Planning Area lying offshore Alabama. Comments and recommendations were due on March 25, 1997.

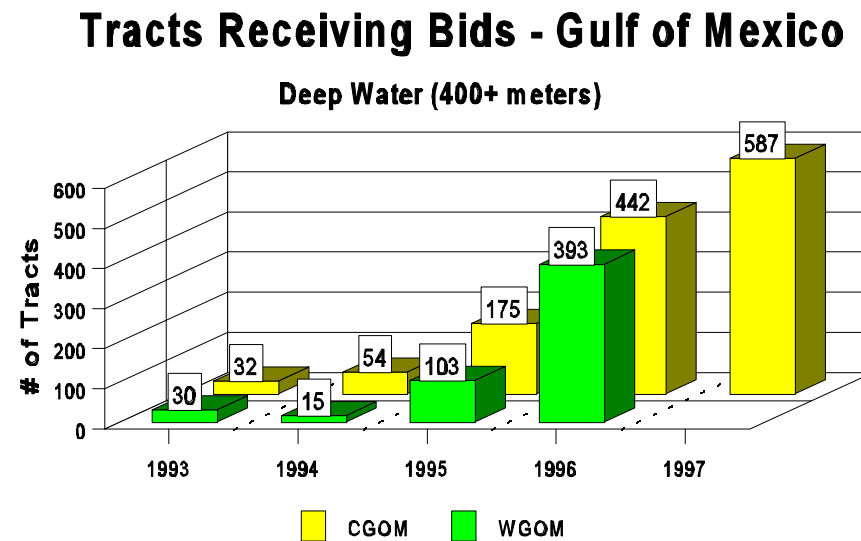
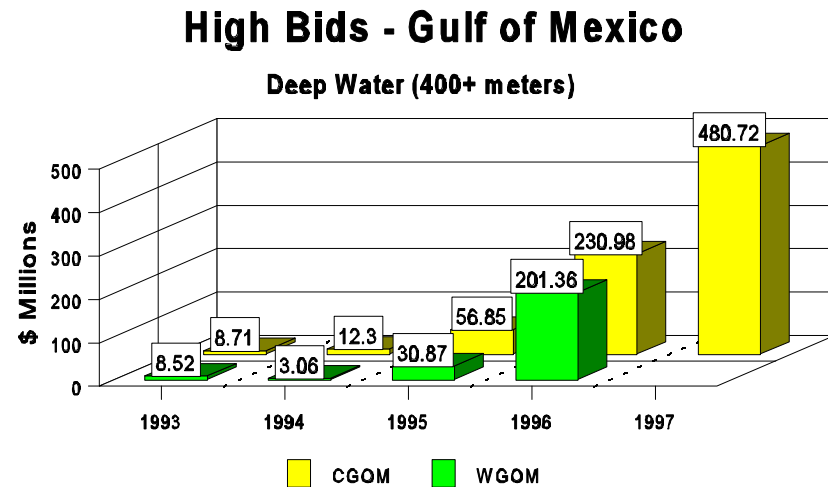
Additional Facts

The MMS published an interim rule on the treatment of royalty relief for newly issued leases in the *Federal Register* on March 25, 1996 (61 FR 12022). The rule was applied to deep-water leases issued in the Central (CGOM) and Western Gulf of Mexico (WGOM) Sales 157 and 161 held on April 24 and September 25, 1996. In deep water, these sales generated almost three times as many tracts bid on, and more than four times the high-bid amounts, as the comparable sales held in 1995.

The MMS published another interim rule for providing suspensions of royalty payments on deep-water leases issued as the result of Gulf lease sales held before November 28, 1995, and the requirements for a complete application for royalty relief. The rule also established conditions for granting royalty relief on any producing lease through its conversion to a Net Revenue Share (NRS) lease (61 FR 27263). The rule became effective July 1, 1996. The MMS staff met with industry representatives from American Petroleum Institute (API), National Ocean Industries Association (NOIA), Independent Petroleum Association of America (IPAA), Shell, Marathon, and Exxon to discuss their concerns in July and September 1996. The MMS is reviewing the comments from the 15 respondents to the second interim rule and plans to issue a final rule in December 1997.

The MMS issued updated guidelines on the use of NRS relief for producing leases on June 24, 1996. Two days later, MMS issued the new guidelines on the Deep Water Royalty Relief Program, including qualification tests, eligible costs, data and analytical requirements, and

form, magnitude and conditions of relief. A computer model and user's guide for use by the applicants to apply for deep-water royalty relief are available from the Gulf Region. A Notice to Lessees (NTL-3N), effective July 1, 1996, details the fee amounts for royalty relief applications, as well as the procedures for making the payments.



Fair Market Value

In 1996, the bid adequacy procedures used to evaluate high bids received in OCS oil and gas lease sales were revised beginning with Sale 157 to eliminate the “3-bid rule” as a Phase 1 bid acceptance criterion. With the 3-bid rule, wildcat and confirmed tracts that received three or more bids were automatically accepted in Phase 1 of the two-phase bid evaluation process as representing fair market value.

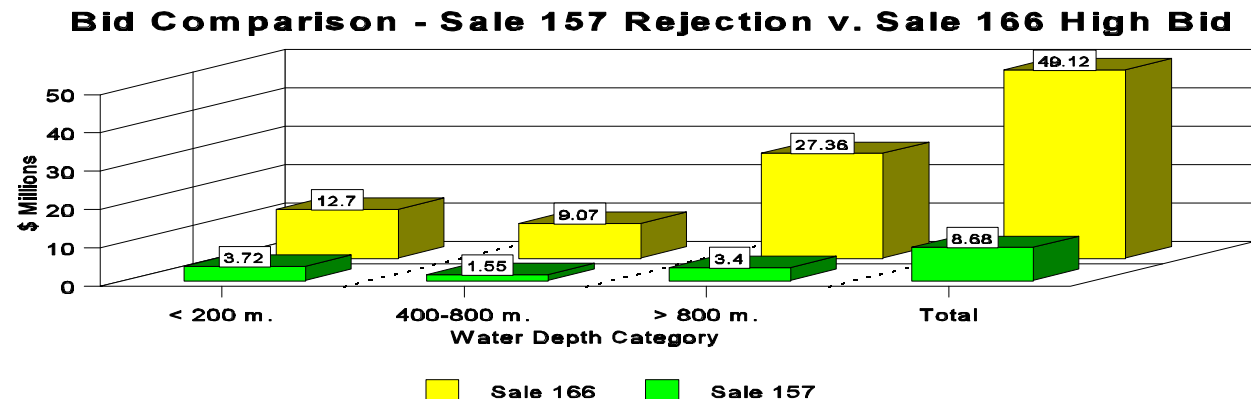
This bid acceptance rule was eliminated for a number of reasons. First, recent studies showed that tracts with three or more bids were drilled most frequently, had the highest rate of drilling success, and generated the largest discoveries, so they were likely to be the highest valued tracts. Second, the Deep Water Royalty Relief Act (DWRRA) was implemented in 1996 Gulf of Mexico gas and oil lease sales, and it mandated royalty suspension volumes of tens of millions of barrels of oil equivalent for new leases.

The MMS did not want to be in a position of accepting high bids on such tracts without a full scale evaluation. Finally, removal of this rule would reduce the importance of identifying unusual bidding patterns during the short timeframe associated with Phase 1 activities.

Efforts to revise bid adequacy procedures continue in the Economics Division as changing market conditions are constantly evaluated to ensure the receipt of fair market value for the Nation’s OCS gas and oil resources. The results of bidding on Sale 166 in the Central Gulf of Mexico (March 5, 1997) illustrate the importance of the bid adequacy process. In Sale 166, 19 tracts that had high bids rejected in Sale 157, the 1996 Central Gulf of Mexico lease sale, received bids. The number of bids on those tracts increased from 26 to 72 and the high bids increased from \$8.68 million to \$49.12 million, an increase of 465 percent.

Net Revenue Share (NRS) Royalty Relief

The NRS royalty relief is available on leases that are currently producing but become uneconomic under the leases’ existing royalty rates. Under this type of relief system, a lease’s royalty rate would be changed to a NRS that would be set at a level that allowed the lease to continue to produce profitably. However, NRS royalty



relief has attracted interest only in the Pacific while candidate leases are being abandoned in the Gulf of Mexico. There appears to be a perception by industry that it is too hard to qualify for NRS royalty relief and that the system is too restrictively applied.

To remedy this situation, the Economics Division is reviewing the NRS approach to determine if modifications can be made that would increase industry's use of this method for royalty relief while still providing a fair return to the American public for the resources produced.

Economic/Resource Modeling

The Economic Division continues to be active in the development and refinement of models used for a variety of purposes within the MMS. The newest of the models developed by the Division is the Royalty Suspension Viability Program (RSVP), which is used in evaluating royalty relief applications submitted under the provisions of the DWRRA. The RSVP is maintained intramurally and will be modified, as needed, to address evolving changes in the royalty relief guidelines.

In addition, economic/resource models are used to project future OCS production and estimate royalty streams, to project rentals likely to result from future sales, to estimate the net economic value of specific sales and the Bureau's 5-year program, and to evaluate the alternative policies (lease terms and conditions) that can be used in OCS gas and oil lease sales. The Economics Division also works closely with the Resource

Evaluation Division on modeling issues that address fair market value evaluations.

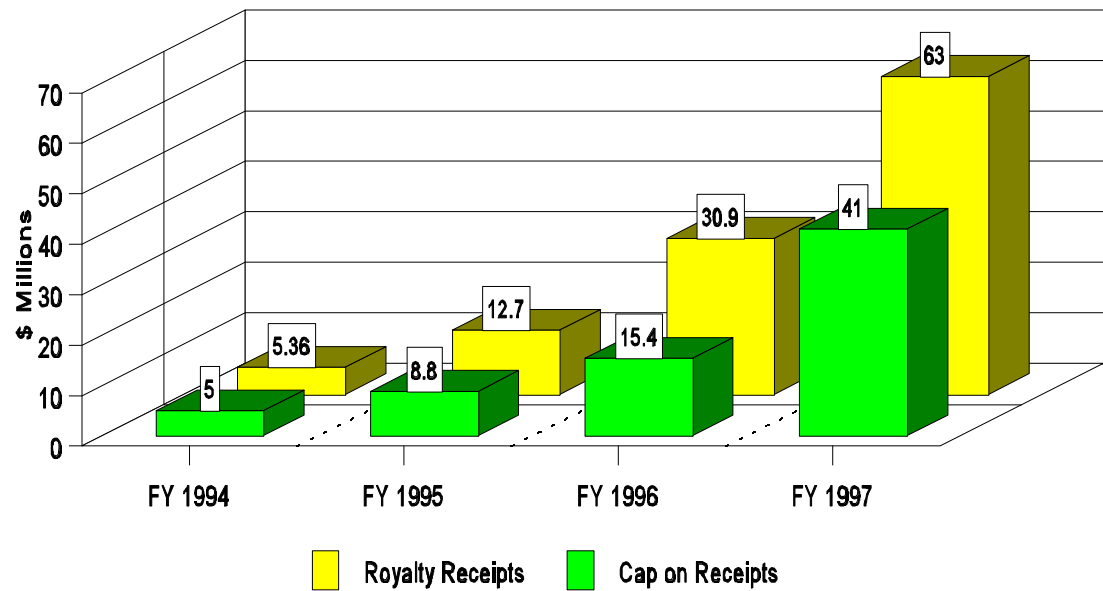
Lease Terms and Conditions

Prior to each OCS oil and gas lease sale, the Economics Division proposes the lease terms and conditions that should be applied. Among the factors that need to be considered are the current level of activity within a sale area as well as economic conditions (costs and prices) likely to exist at the time that production from a sale would result.

Beginning in 1993 (Sale 143-Western Gulf), the MMS has been allowed to use part of the royalty receipts resulting from OCS gas and oil lease sales to fund a portion of its activities. Starting with Sale 143, the royalty rate from OCS gas and oil leases was raised from \$3 per acre to \$5 per acre annually.

In 1996, with the advent of leasing in the Gulf of Mexico under the provisions of the DWRRA, the annual rental rate on tracts subject to mandatory royalty relief (i.e., those in water depths of 200 meters or more) was raised to \$7.50 per acre annually.

Royalty Rental Receipts Available to MMS



Information Technology Division

Technical Information Management System (TIMS)

The TIMS is an acronym for the Technical Information Management System, a multiyear information management initiative to develop a linked automated information system/corporate database, designed to provide the capability to collect, retrieve, store, process, and display information through a suite of standardized hardware, communications equipment, and software to support the MMS Offshore mission. Part of this mission is to enable the proper monetary return to the U.S. Government for leased resources. Simply put, the TIMS places the Offshore Program on par with the U.S. oil and gas industry as to availability of timely, current, technically correct information. In pursuing this initiative, OMM is establishing procedures and acquiring the equipment necessary to store and integrate all technical information the organization wishes to retain in a corporate database conducive to ready access (sharing). The TIMS also acquired and developed text retrieval, mapping, and other graphical portrayal capabilities to present, manipulate, and display Offshore's data.

For the past 15 years, the technical information for the Offshore Program was supported primarily by several Perkin-Elmer Concurrent minicomputers that are now obsolete. The TIMS is being built on a state-of-the-art concept of client/server relationships. The minis have been replaced by servers from which the clients can

access information through their own workstations or PC's. This networking computing makes use of cooperative processing that links application components across multiple platforms.

The TIMS was started in FY 1992 as a pilot project in the Gulf of Mexico Region. The pilot project was constructed in a modular fashion by the development and deployment of a series of application software implementations. As components of the pilot were developed, they were transported to a production platform for testing and evaluating. Workstations and servers were purchased for the testing purposes.

In fiscal year 1993, the evaluation of the Geological Interpretative Tools (GIT) was initiated. The GIT is an initiative to bring 2- and 3-dimensional geological evaluation tools to bear on the resource evaluation procedures within OMM. Other initiatives such as initial equipment installation in Denver and Alaska were also completed. The production platform system was installed in the Gulf Region. This meant the "development" concurrent machine in the Gulf Region could be shut down and data transferred to the TIMS platform. The TIMS was also made operational in Denver. Oracle was evaluated and became the Relational Database Management System for Offshore.

Major accomplishments in FY 1994 were: GIT was successfully used in postsale analysis in the Gulf Region for the first time; installed additional hardware, software, cabling in the Gulf Region; installed more components on

the TIMS Gulf Region system; detailed many OCS and Gulf Region employees to the TIMS staff; established a Component Users Acceptance Team (CUAT) consisting of program offices to more actively involve the users by assisting in the design and testing of components; established WAN connectivity of all Offshore locations. The major accomplishment in FY 1995 was that the pilot project was evaluated and determined to be a success. This milestone facilitated the expansion of the TIMS to the other Regions and Headquarters. Many other accomplishments were realized as well: all production systems in Alaska were converted to TIMS and the concurrent was shut down there; an Integration Team was established to evaluate all TIMS hardware and software to create standards and for future consistency; established connectivity of Royalty Management to the Gulf Region servers, enabling data to be downloaded; the team added more components to the TIMS platform; training rooms were setup in the Gulf and Alaska Regions; a new computer room was built in Alaska; and additional GIT hardware and software were purchased for the Gulf and Alaska Regions.

Like FY 1995, FY 1996 saw many TIMS accomplishments. The TIMS was used successfully for Alaska Sale 144 where reports were produced accurately and timely. An Arc/Info mapping project was completed, which made available a new suite of components for map users. A user-friendly Windows interface for Oracle Reports and Forms was completed. Personnel on detail to TIMS were returned to the Gulf Region. The last of the components previously residing on the concurrent were added to the TIMS platform. A plan was completed for the hardware and software implementation in the

Pacific Region. A major expansion of workstations and servers was accomplished.

To date in FY 1997, a number of accomplishments have been realized. The TIMS applications were successfully used in the March Gulf Region Sale 166. All of the reports ran smoothly and timely. The implementation of the TIMS in the Pacific Region began. A new computer room was built, and servers, workstations, and cabling were purchased in the Pacific Region. The implementation of Windows 95 began in Offshore. An Offshore "Intranet" was established to facilitate improved communication within the Bureau.

A number of tasks remain this year: completing the hardware, software, and applications implementation in the Pacific Region and shutting down the last of the concurrents; preparing a plan for the implementation of the TIMS in Herndon; completing Windows 95 implementation in Offshore; installing the firewall OMM-wide; implementing major network improvement; and upgrading ESPIS to the Windows 95 operating system.

The TIMS has advanced the Offshore mission effort in many substantive ways over the last 5 years. The TIMS grew from a modest modernization project to a successful integrated, enterprise-wide information management system, surpassing the original goals for this project well within the established schedule. The resulting cost savings allowed expansion of the original concept to include a number of new components and aspects, such as Offshore-wide equipment purchases

and the GIT mapping project and still remain well within the established budget. (The TIMS has been traveling on the “bleeding edge” with state-of-the-art concepts, and it has already started to pay off.)

International Activities & Marine Minerals Division

International Activities

London Convention '72 (LC) - The LC convened October 28-November 8, 1996, to finalize the lengthy amendment process, as members adopted the "1996 Protocol to the London Convention." This document, a compilation of all amendments to the LC, will be sent to member countries who have 1 year to ratify. At the 1996 meeting of the Scientific Group, the United States was tasked with drafting specific guidelines for ocean disposal of decommissioned platforms. The MMS had the technical lead in the interagency work group and will be part of the U.S. delegation presenting draft guidelines to the Scientific Committee meeting scheduled for May 21-22, 1997.

International Convention for the Prevention of Pollution from Ships (MARPOL) - In December 1966, the MMS led a working group evaluating the applicability of Annex VI (air-quality provisions) to floating and fixed offshore platforms and provided the recommendations to the DOS. These recommendations were presented and accepted at the March 6-10, 1997, meeting of the Convention in London.

United Nations Convention on Law of the Sea (UNCLOS) - The MMS is providing support to the DOS for the UNCLOS regarding Continental Shelf Delineation, (Article 76), election of commissioners and the use of royalties under Article 82. Under Article 76 of UNCLOS, the United Nations must establish a 21-member

Commission on the Limits of the Continental Shelf. The MMS was part of the United States delegation in an observer's role at the Sixth UNCLOS States Parties Meeting in New York City March 10-14, 1997. The purpose of the meeting was to organize the Commission and elect members to the first 5-year term. The Commission will make final determinations on the seaward extents of continental shelf boundaries for all broad-margin nations. Five commissioners were elected from Asian nations, 5 from African nations, 4 from Caribbean-South America, 5 from Western Europe and other nations, and 2 from Eastern Europe. As the United States has not ratified the UNCLOS treaty, it cannot nominate or vote for commissioners.

North American Free Trade Agreement (NAFTA) - The MMS provided input to the DOI and the United States position on whether to include projects in the Exclusive Economic Zone (EEZ) under requirements of the Transboundary Environmental Impact Assessment (TEIA), an annex to NAFTA. The TEIA would require notification for projects within 100 km of the common boundary and that an Environmental Impact Assessment (EIA) be conducted for OCS projects that are likely to have significant adverse transboundary impacts.

Arctic Policy Group (APG) - The MMS actively participates in the APG, an interagency working group chaired by DOS. The APG addresses Arctic policy issues including U.S. participation in the Arctic Environmental Protection Strategy (AEPS), which is a

forum and a nonbinding strategy to protect the Arctic. Currently, the Bureau is involved in drafting guidelines for two AEPS working groups, the Protection of the Arctic Marine Environment (PAME) and an Arctic EIA experts group organized by Finland. Concerned about the potential impacts to future increases in offshore petroleum activities in the Arctic, the AEPS Ministers in March 1996 tasked PAME to initiate work on the drafting of nonbinding guidelines for Arctic offshore oil and gas activities. In February 1997, the MMS participated in a PAME meeting to discuss and continue work on the drafting of the guidelines. A second meeting is planned for this May in order to prepare a final draft of the guidelines for presentation to the AEPS Ministers in June 1997.

Asia-Pacific Economic Cooperation (APEC) - The APEC is composed of members from 18 nations who are committed to achieving sustainable growth and equitable development to ensure prosperity for the people of the Asia Pacific area. The United States interest is in the endorsement of APEC's clean production and clean Pacific initiatives and a commitment to increased attention to environmental and sustainable development.

Gore-Chernomyrdin Commission Meeting - In February 1997, the MMS participated in three committee meetings of the U.S.-Russia Commission on Economic and Technological Cooperation, commonly referred to as the Gore-Chernomyrdin Commission, in Washington, D.C. The MMS proposal to develop a safety and environmental regime was included in committee reports and prominent in agenda discussions of the Energy and the Science and Technology Committees.

U.S.- Mexico Binational Commission - On March 17, 1997, at a meeting of the Commission's Science and Technology Subgroup in Washington, D.C., the MMS initiated dialogue with counterparts in Mexico regarding potential research projects to develop new equipment and technology for spill prevention from offshore platforms. The annual meeting is scheduled to take place in May in Mexico City.

Technical Assistance

In 1996, MMS received an informal inquiry from the Government of Belize to provide technical assistance in the regulation of offshore development, environmental monitoring, and technology for deep-water development during and following the drilling of an exploratory well on the Gladden Prospect. The MMS is evaluating the request for technical assistance and the opportunities for reimbursable funding.

Since late 1995, the MMS has been involved in a multi-national cooperative effort to assist Russia in promoting safe and environmentally sound operating practices during the exploration and development of their offshore mineral resources. The MMS is working closely with the Russian Ministry of Natural Resources and the Norwegian Petroleum Directorate to finalize a project proposal that will assist the Russian Federation in development of a comprehensive safety and environmental regime for offshore oil and gas operations, including Arctic waters, consistent with international standards. The U.S. Agency for International Development has agreed to fund MMS's participation in

the initial phase of a three-phase project. The first phase of the project will be a feasibility study to determine the likelihood of success and to gain the appropriate commitment from the Russian government. The World Bank has expressed significant interest in this project.

The MMS and DOS are discussing a possible APEC workshop in Kuala Lumpur, Malaysia, on platform decommissioning and artificial reefs to be cosponsored with Malaysia, Indonesia, and Thailand and funded in part by DOS. Participants will include representatives from the MMS, U.S. oil and gas companies, universities, and other industry organizations.

Cooperative Information Exchange

The MMS and the Ministry of Geology and Minerals Resources of the People's Republic of China are involved in the development of an MOU that would provide for information sharing in the areas of revenue and minerals management. An MOU has also been developed between the MMS and the Indian Ministry of Petroleum and Natural Gas on offshore oil and gas activities. Both MOU's have been forwarded to the DOS for Circular 175 clearances. In July 1996, the MMS signed an MOU with the Indonesian Ministry of Mines and Energy. The agreement covers cooperation in the areas of environmental and safety issues related to offshore oil and gas activities, drilling mud disposal, oil-spill response and regulatory response to changing technology. The process of renewal of a formal MOU with the Health and Safety Executive of the United Kingdom has resumed following the resolution of the

issue of intellectual property rights. The MOU involves areas of scientific and technical cooperation on issues pertaining to offshore installation and pipeline safety.

Cooperative Agreements/Environmental Studies

The MMS's Marine Minerals Program continues its partnerships with coastal States along the east coast and Gulf of Mexico coast focusing on identifying sand resources in Federal/State waters. These cooperative agreements have pooled Federal and State monies in an efficient and cost effective way, providing information to assist Federal and State agencies in making decisions on the use of offshore sand.

From an environmental perspective and in conjunction with areas identified through MMS/State cooperative agreements, the program is focusing some environmental research monies in those areas. In that way, site-specific information is available for beach renourishment decisions. Additional environmental work is being done to examine the effects of dredging.

Status of Specific Federal/State Cooperative Projects over the Past 6 Months

New Jersey - The New Jersey Geological Survey is completing an archeological survey of the area offshore of Avalon, New Jersey. Plans for the coming year are to drill up to 30 vibracores in five other sites between

Atlantic City and Manasquan. These sites include shoals that have potential for emergency sand and gravel use in quick response after severe episodes of coastal erosion caused by storms. A separate contract for environmental studies in these sites is expected to begin in summer 1997.

Maryland-Delaware - The Maryland and Delaware Geological Surveys are coordinating a project with the MMS to obtain vibracores in a joint study area that extends from Ocean City, Maryland, to Indian River Inlet, Delaware. This is an area that has been identified as having high potential for beach nourishment sand. The MMS plans to award a contract in summer 1997 for an environmental study in the same area. The study will include wave modeling and benthic biological surveys.

Virginia - The Commonwealth of Virginia through the Virginia Institute of Marine Science is continuing identification of offshore sand deposits and analyses of geologic properties of the material. These deposits have been determined to have good potential for local coastal restoration and beach protection. Additionally, the second year of a related environmental study of the deposit area is currently underway.

North Carolina - The North Carolina/MMS Sand Resources Cooperative is focusing its efforts to evaluate an area offshore Dare County covering approximately 400 square nautical miles extending from Oregon Inlet to Duck Island. The Cooperative is continuing its efforts to develop a seismic stratigraphic characterization and to analyze vibracores collected in this area. The data are needed to identify sand resources for future maintenance

of the beach and dune system to protect North Carolina Route 12 — the “life-line” of the Outer Banks.

South Carolina - The South Carolina/MMS Offshore Resource Cooperative maintains as its primary goals to identify sand resources that may be useful in future beach nourishment projects and to evaluate critical biological resources that could be affected by beach nourishment programs. The physical recovery of previously used sand borrow sites is also being evaluated. The Cooperative is continuing its phased mapping efforts offshore Hilton Head, South Carolina, to identify and to evaluate sources of sand compatible with their high priority erosional beaches.

Florida - Phase 2 of the Cooperative Agreement with the Florida Geological Survey is underway. Current work includes acquisition and analyses of offshore geological and geophysical data to provide information on the location, extent, thickness, and quality of sand bodies for the northern portion of the study area encompassing about 250 square miles offshore southern Brevard County on the central-Atlantic coast of Florida.

To date, 11 push cores from the study area have been collected and analyzed (granulometric analysis). Next steps include subbottom profiler surveying and analysis and collection of bottom sediment samples. Such geological investigation will assist in the State's efforts to combat beach erosion by locating sand bodies suitable for use in Florida's beach restoration projects.

Alabama - The State, in cooperation with the University of Alabama, continues in the second year of an

anticipated 3-year effort to model the geological systems offshore Alabama. An environmental study within five identified sand borrow areas was also initiated in March 1997.

Mississippi - The State, through the Marine Minerals Technology Center at the University of Mississippi, is continuing work with exploration systems pertinent to marine sand and shell deposits.

Texas - The Bureau of Economic Geology at the University of Texas in Austin and the Division have recently completed a cooperative geologic evaluation and engineering feasibility study of the Heald and Sabine Banks offshore of Galveston, Texas. The results of the evaluations revealed that the material, especially from the Heald Bank, has the appropriate physical properties to be used for restoration on the severely eroding shoreline along the northeastern coast of Texas.

This year, the Cooperative is developing plans for a reconnaissance project to locate offshore sand of acceptable quality for possible shoreline protection projects along the southern Texas coast near Corpus Christi and Padre Island.

Louisiana - As a followup to the Ship Shoal modeling effort study with the State, there is a 3-year field study underway of wave climate, wave-current interactions and bottom boundary layer dynamics, and sediment transport in the Ship Shoal area landward to the inner shelf adjacent to the Isles Dernieres. This project will significantly enhance confidence in the modeled output and thus assist the MMS in EIS preparation and

decisionmaking relative to the mining of Ship Shoal.

Environmental Studies that are Ongoing or In Progress

Alabama - "Environmental Studies Relative to the Impacts of Dredging for Beach Nourishment Offshore Alabama" - The main purpose of this study is to address environmental questions raised by the potential for dredging sand from the inner continental shelf offshore Alabama for the purposes of beach nourishment. Biological and physical information is being collected in five identified borrow sites to assess the potential for adverse impacts prior to any dredging. Completion of the study is scheduled for 1999.

Louisiana - "Wave Climate and Bottom Boundary Layer Dynamics with Implications for Offshore Sand Mining and Barrier Island Replenishment, South-Central Louisiana" - This study is a follow-on effort to a completed Ship Shoal modeling effort and is a 3-year field study of wave climate, wave-current interactions, and bottom boundary layer dynamics, and sediment transport in the Ship Shoal area landward to the inner shelf adjacent to the Isles Dernieres. The project will significantly enhance confidence in the modeled output and thus assist the MMS in EIS preparation and decisionmaking relative to the mining of Ship Shoal. Completion of study is scheduled for 1999.

Florida - "Synthesis of Hard Mineral Resources on the Florida Panhandle Shelf: Spatial Distribution, Subsurface

Evaluation, and Sediment Budget” - The study will produce regional baseline information about the hard mineral resources, geologic framework, and long-term sediment dynamics of the Florida Panhandle shelf (Mobile Bay, Alabama, to Choctawhatchee, Florida). Completion of study is scheduled for 1997.

Virginia - “Environmental Studies Relative to Potential Sand Mining in the Vicinity of the City of Virginia Beach, Virginia” - Environmental data and information are being collected to address environmental questions raised by the potential for mining sand from the inner continental shelf offshore Virginia. This information will directly benefit those parties charged with planning or making decisions as to the potential use of this sand for restoration of Virginia Beach or other coastal areas within the State. Completion of the study is scheduled for 1997.

Florida - “East Florida Shelf Benthic Repopulation Study” - In support of the negotiated agreement with the City of Jacksonville, Florida, the COE agreed to fund a small-scale study to examine the effects of the dredging operation within the borrow area on the macro-infauna. Completion of the study is scheduled for 1997.

New Jersey - “Environmental Studies Relative to the Impacts of Dredging for Beach Nourishment, Offshore New Jersey, and Maryland-Delaware” - These studies, to be procured as two separate efforts, will be similar in scope to the Alabama effort. Six sites have been identified offshore New Jersey; a zone has been identified offshore Maryland/Delaware. A call for qualifications statements was issued in the Commerce Business Daily on February 25, 1997. Award of a

contract is expected in early to mid-June 1997.

Other Ongoing Studies

“Investigation of Benthic and Surface Plumes Associated With Marine Aggregate Production in the United Kingdom” - The MMS awarded a contract in August 1994 to Coastline Surveys, Limited, a marine consulting firm in the United Kingdom to conduct and oversee a study to examine the degree to which disturbed sediment persists within the near-bottom and surface water layers during offshore dredging operations. The 2-year study will also consider the resultant effect on benthic and water column organisms. Completion of the study is scheduled for 1997.

Sand and Gravel Lease Sale Offshore New Jersey

The Request for Information and Interest comment period closed on November 1, 1996. Over 200 written comments and public statements were received on the proposal with support (at least to the EIS stage) and opposition split evenly. No decision has been made yet on whether to proceed with preparing an EIS.

Marine Mineral Technology Centers - The MMS has been given authority over the Marine Mineral Technology Centers (MMTC). In October 1996, the President signed the “Marine Mineral Resources Research Act of 1996” essentially reauthorizing the

current MMTC of the Minerals Institute Program, which was established in 1984. The Act authorizes the Secretary of the Interior to designate three centers to carry out a program of marine minerals research and related activities in the continental shelf, deep seabed and near-shore environments of islands, and the Arctic and cold-water regions of the United States. No funds were appropriated for implementing the legislation in FY 1997.

The MMS recommended the selection of the Universities of Mississippi and Hawaii, giving high priority to their successful participation and accomplishments in the MMTC program established in 1984. Under the reauthorized program, the universities will continue to focus their research primarily on the continental shelf regions of the United States and the deep seabed and near-shore environments of islands, respectively. The University of Alaska, Fairbanks, was a natural choice for the third center with its extensive research experience in cold-water environment. The addition of the Arctic and cold-water regions to the research environment for marine minerals completes the coverage of the global environment within which potentially economic deposits may be located.

Current Negotiated Agreements for Sand Use In Progress

Virginia - A request for preparation of a negotiated agreement with the City of Virginia Beach, Virginia, the Norfolk District of the COE, and the MMS is expected during 1997. There is a need for sand from the

Sandbridge Shoal for coastal protection of the Sandbridge section of the City of Virginia Beach.

South Carolina - Horry County requested negotiations for OCS sand resources for use in a federally funded beach restoration project at Myrtle Beach, South Carolina. The MMS and the COE have finalized a Memorandum of Agreement that opens the way for negotiations with Horry County. Approximately 557,500 cubic yards of Federal sand will be used to restore the shoreline south of Myrtle Beach. A negotiated agreement with Horry County is expected in the near future for use of the sand. The nourishment project is not expected to begin until 1998 or later.

Maryland - The MMS expects to negotiate an agreement with the National Park Service to use Federal sand to restore a portion of Assateague Island in 1998. A draft EIS has been reviewed by MMS and is in final stage of preparation for the project. The MMS has attended the study team meetings and provided input to the EIS. The sand would come from Great Gull Bank, a large shoal 4-6 miles offshore of Assateague. The shoal was identified by the Maryland Geological Survey through their cooperative program with the MMS.

MMS/STATE COOPERATIVE AGREEMENTS

OCS Sand for Coastal Restoration



Agreements Involving OCS Sand Resources

New Jersey	Beach Restoration
Delaware	Beach Restoration
Maryland	Beach Restoration
Virginia	Beach Restoration
North Carolina	Beach Restoration
South Carolina	Beach Restoration
Florida	Beach Restoration
Alabama	Beach Restoration
Louisiana	Beach Restoration
Texas	Beach Restoration

Total: 10 Agreements with 10 States

Alaska Region Report

Regional Director Named

On April 6, the MMS announced that John T. Goll will serve as the Regional Director of the Alaska Outer Continental Shelf Office. "I'm confident that John Goll will do a superlative job as he brings to this position a wealth of environmental experience that will serve the Region and the mission of the agency well," said MMS Director Cynthia Quarterman. "He will be a valuable asset to our management team, and I look forward to working with him as we address offshore issues in Alaska."

His assignment will begin in May. Goll previously served as the acting regional director from July through October 1996, as part of a rotational assignment initiative.

A career federal employee, Goll has been an environmental scientist in the Offshore Minerals Management Program of the MMS since 1982. Most recently, he has been responsible for overseeing the Bureau's environmental program, including its environmental studies program, environmental impact statement preparation, environmental review of industry operations, and the oil-spill modeling program. Goll has also been working with a subcommittee of State representatives and scientists of MMS's OCS Advisory Board reviewing environmental information needs for OCS areas that have been subject to past moratoria.

A native of Detroit, Michigan, Goll attended the University of Michigan, receiving a B.S. in Meteorology and Oceanography in 1970. He received a Master's Degree with an emphasis in air pollution and meteorology in 1972, and served in the U.S. Army from 1972-1974.

Alaska OCS Region Offshore Advisory Committee

The Alaska OCS Region Offshore Advisory Committee and its predecessor, the Alaska Stakeholders Task Force, were established to facilitate constituent consensus on the direction of the current 5-year Leasing Program. The Advisory Committee has recently been tasked to provide a forum through which affected Alaska stakeholders can make consensus recommendations on specific lease sale proposals. The Committee will initially provide recommendations for the Beaufort Sea area. Recommendations for nominees have been received from the Governor, the Alaska Oil and Gas Association, North Slope Borough, Alaska Eskimo Whaling Commission, and Mayor of Nuiqsut. Federal representatives from National Marine Fisheries Service (NMFS) and FWS will also participate. Appointment packages for the Secretary's consideration are currently in preparation. Appointments will be made by the Secretary of the Interior for a 2-year term. Additional members specific to the Cook Inlet area will be appointed when planning for Sale 173 commences.

Lease Sale Status

Sale 149 Cook Inlet - In January 1997, it was announced that the decision process for proposed OCS Lease Sale 149, Cook Inlet was proceeding. On January 10, 1997, a Notice of Availability of the Environmental Assessment of the revised proposal was published in the *Federal Register*. Public meetings to discuss the proposal and the EA were held the last week in January. The comment period ended on February 25, 1997. The area being considered for leasing represents a 78 percent reduction from the 402 blocks analyzed in the EIS. A Final Notice of Sale has been published in the *Federal Register*. The sale is scheduled for June 11, 1997.

Sale 170 Beaufort Sea - (proposed for April 1998) The Secretary's decision in the 5-year Leasing Program included Sale 170 in 1998, a small focused sale of approximately 362 blocks (1.7 million acres) in the central, shallow-water section of the planning area, an area of high industry interest. The MMS initiated the process for the sale publishing a Call for Information and Nominations in the *Federal Register* on September 30, 1996. The MMS is preparing a streamlined EIS that will incorporate by reference the Sale 144, Beaufort Sea EIS.

National Petroleum Reserve - Alaska

The National Petroleum Reserve - Alaska (NPRA) is located in the northwest corner of Alaska between the Colville River on the east, the Brooks Mountains to the south, the Chukchi Sea to the west, and the Beaufort

Sea to the north. This area is under the jurisdiction of the BLM and was identified as a potential oil source due to the discoveries of surface oil seeps earlier this century. Portions of the area have been explored in the past with no commercial oil discoveries made. Recent oil discoveries (such as ARCO's Alpine development - 300 million barrels) just east of the NPRA have fueled optimism by some oil companies that similar structures may be present in NPRA.

Secretary Babbitt has identified the evaluation of lands in the northeast corner of NPRA (about one third of the total NPRA area) as a high priority for the Department. One of the goals of this evaluation is to consider conducting an oil and gas lease sale. The BLM has requested MMS assistance due to environmental evaluation expertise and reputation and experience in conducting numerous oil and gas lease sales, especially in the Beaufort Sea adjacent to the NPRA. The BLM has specifically requested MMS assistance with the following NPRA work:

- Develop oil and gas exploration and development report.
- Coordinate and develop Draft and Final EIS's (note: The EIS is a "combined" resource management plan and oil and gas lease EIS that will also involve team members from BLM and the FWS.)



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- Identify/acquire seismic data.
 - Conduct tract evaluations and determine fair market values (using MMS geophysical interpretation tools (TIMS-GIT) and MMS MONTCAR model with a MMS-BLM team of geologists, geophysicists, petroleum engineers, and economists).

The BLM has overall authority and responsibility for all activities.

In order to complete this high priority project on time, it will be necessary to delay the presale process for Sale 173 until 1999. Hence, Sale 173, originally scheduled to be held in 1999, will be delayed until 2001. The presale process takes approximately 2 1/2 years to complete.

Alaska Environmental Studies Strategic Plan

In January 1997, the Alaska OCS Region issued its Alaska Environmental Studies Strategic Plan, FY 1998-99. The purpose of the MMS Environmental Studies Program is to define information needs and implement studies to assist in predicting, assessing, and managing potential effects on the human, marine, and coastal environments of the OCS and coastal areas that may be affected by gas and oil development. The plan reflects the Region's goals of mission, quality science, partnerships, and responsiveness. The MMS is the largest single-bureau, mission-oriented, marine-studies program in the Federal Government. Many of the strategic elements of the final plan represent ongoing efforts with judiciously proposed new starts.

Seismic Workshop

An Arctic Seismic Synthesis and Mitigating Measures Workshop was held on March 5-6, 1997, at Ilisagvik College, Barrow, Alaska. In attendance were 20 whaling captains from Barrow, Nuiqsut, and Kaktovik; 6 participants from Alaska OCS Region MMS; 1 from Pacific OCS Region MMS; 2 from National Marine Fisheries Service; 2 from Western Geophysical; 2 from Alaska Department of Natural Resources (DNR); 2 scientists from North Slope Borough (NSB); 3 marine acousticians; a bowhead whale behaviorist; the NSB Mayor; and others from the Barrow community. The meeting was co-chaired by MMS and NSB staff.

The group as a whole participated in a plenary working group on "zone-of-influence of seismic vessels." Then three working groups, each of which met separately, returned with a list of recommendations. These groups were "Communication Among Subsistence Whalers, Industry, and Agencies; Communication Options for Conflict Resolution" (Working Group II); "Possible Technological Methods of Reducing Effects" (Working Group III); and "Potential Research and Monitoring Projects, including Co-Managed or Cooperative Projects" (Working Group IV).

Bowhead Whale Aerial Survey Project Conducts 10th Field Season

This project is a quality team effort led by the Region's Environmental Study Section and typically staffed by

personnel from each office in the Region. The project began in 1978 and has been done in-house since 1987. From September 1 through October 9, 1996, the project conducted aerial surveys over arctic water. Its objectives include both scientific regional analyses and support to regulatory information needs. In 1996, the team coordinated its surveys with site-specific bowhead whale monitoring conducted by industry near the Northstar Unit. The information was used to define the migration corridor relative to site-specific seismic exploration.

In addition, whale observers are also conducting a 1-year study to determine the winter distribution of Belukha whales in Cook Inlet and neighboring waters. The population of these whales is small and is considered to be distinct from other populations. The aerial survey was conducted from February 1 to March 15, 1997.

Environmental Studies Information Transfer Meetings and Workshops

An important role of the Environmental Studies Program (ESP) is to hold public information transfer meetings and workshops, which serve to update the public and affected stakeholders on the status of MMS programs and environmental information. Not only do such meetings facilitate information sharing, they provide useful forums for discussion of the many challenging issues associated with offshore oil and gas exploration and development. In Alaska, an "Arctic Seismic Synthesis and Mitigating Measures Development Workshop" was held March 5-6, 1997. Planning activities are also underway for a spring 1997 Information

Update Meeting on the lease area in NPRA.

Alaska Unit Activity

Northstar - The Northstar Development Project in the Beaufort Sea includes five State of Alaska and two Federal OCS leases. The Alaska OCS Region is coordinating MMS permit and approval requirements with the State of Alaska to avoid duplication and delays due to different permit timeframes and information needs. The Alaska OCS Region is also one of five cooperating agencies with the COE in directing a third party contractor to produce an EIS for this proposed development project. In January 1997, a lawsuit was filed against the State of Alaska to challenge recent changes to the terms of Northstar's lease agreement between the State and BP Exploration (Alaska), Inc. (BPXA). As a result of this lawsuit, BPXA (in a press release dated February 13, 1997) is stopping all Anchorage module fabrication work on the Northstar oil field development project and focusing its work on permitting, the EIS, and support engineering. The BPXA is in the process of updating its Northstar Development Project Final Project Description to incorporate recent design changes; this was due out in mid-March for resubmittal to permitting agencies. The MMS continues to work on the permitting review process and developing the EIS.

Kuvlum - In January 1995, Union Texas Petroleum obtained all interest in the Kuvlum leases and became successor unit operator for the unit. In 1996, Union

Texas Petroleum requested that the unit area be contracted or reduced in size. Approval for this contraction was made in October 1996. The Kuvlum Unit is under a suspension due to uneconomic conditions. This unit is due to expire in August of 1998.

Sandpiper - Murphy Oil USA Inc. is continuing its work under the plan of operations for the Sandpiper Unit. The Sandpiper Unit is under a suspension due to uneconomical conditions. The unit is due to expire in November of 1997.

Hammerhead - In October 1994, Shell Frontier Oil and Gas Inc. (Shell) became successor unit operator for the Hammerhead Unit. The Hammerhead Unit is under a suspension due to uneconomic conditions. This unit is due to expire in May of 1998.

Camden Bay - Arco Alaska, Inc., has initiated discussion on the formation of a joint Federal-State unit for leases in Camden Bay. Arco has indicated that a well may be drilled on Federal acreage during the 1997-98 winter drilling season.

Alaska Exploration Activity

In the 1996 calendar year, the Alaska Region issued four prelease permits.

In December of 1996, MMS approved an exploration plan for BPXA for the Liberty prospect in the Beaufort Sea. The test well was drilled in early February 1997. Test oil from the well was sold and is the first Alaska

Federal OCS royalty oil. BPXA plans to announce the results of the test well by the end of April 1997. If test results are successful BPXA anticipates that a development and production plan will be submitted during the summer of 1997.

The BPXA acquired 3-D data using several seismic vessels in the Beaufort Sea on and near the Northstar prospect during the summer of 1996.

ARCO is currently acquiring 2-D seismic data in NPRA. Line extensions stretch into Federal waters to tie to wells and seismic grid.

Boundary Conflict Issues Affecting Alaska OCS Region Lease Sales

The U.S. Supreme Court heard oral arguments in *U.S. v. Alaska* (number 84 Original) on February 24, 1997. At issue in this case, which has been before the Court since 1979, is Federal-State jurisdiction over portions of submerged lands in the Beaufort and Chukchi Seas. A Special Master appointed to take evidence in the case and to make recommendations on 14 questions of law had found in favor of the United States on all questions except the use of ARCO Pier as a salient point, the status of South Harrison Bay, and the ownership of lands beneath lagoons in the Arctic National Wildlife Refuge (ANWR). Of the \$1.4 billion held in escrow, all but \$4 million would pass to the Federal Government if the Master's recommendations were to be accepted by the Court.

The Justices asked numerous questions of the Federal and State attorneys during the oral arguments, particularly regarding the effect of Alaska statehood on the ownership of inland waters and the territorial sea. The ownership of lands beneath the lagoons inside the barrier islands along the NPRA and ANWR occupied the Court more than any of the other questions.

While the answers to these questions would not directly affect OCS lease sales, the implementation of the Court's decree on OCS issues could be delayed by implementation of that portion of the decree affecting the contentious NPRA and ANWR boundaries. The Court's decisions and initial decree are expected by June 1997. The parties will then be ordered to produce a plan to implement the Court's decree.

Outreach

Sale 144 Beaufort Sea - Successful outreach efforts with members of the NSB, Alaska Eskimo Whaling Commission, Arctic Slope Regional Corporation; the Mayors of the Borough and Cities of Barrow, Kaktovik, and Nuiqsut; State of Alaska, NMFS, and industry resulted in a mutually acceptable mitigating measures package, which led to the sale taking place on September 18, 1996.

Sale 148 Chukchi Sea and Sale 159 Hope Basin Simultaneous Sale - Although the Simultaneous Sale proposal in these areas has been deferred, MMS continues to promote the sharing of scientific and

technological information between the United States and the Russian Federation and to encourage cooperative efforts related to assessing offshore mineral operations.

Sale 149 Public Meetings - The MMS staff traveled to Kenai, Homer, and Port Graham to outline the contents of the EA for Sale 149 on February 5-7, 1997. Discussions were held with local residents on possible mitigating measures, potential conflicts not identified in the EA, and any other issues of concern.

Pacific Region Report

Offshore Pipeline Safety and Integrity

The Pacific OCS Region is in the process of developing a multiagency Memorandum of Agreement (MOA) composed of representatives from the MMS, U.S. Department of Transportation, California State Lands Commission (CSLC), California State Fire Marshall, and the California Department of Oil, Gas, and Geothermal Resources to coordinate the inspection of offshore pipelines in California. The MOA is based on the work of the MMS-sponsored Pipeline Inspection Quality Improvement Team (PIQIT). The PIQIT is a multiagency team composed of representatives from the MMS, CSLC, California State Fire Marshall, and the California Department of Oil, Gas, and Geothermal Resources.

To streamline the multiple inspection requirements placed on pipeline operators by several regulatory agencies, the PIQIT developed a consensus-based decisionmaking process to provide user agencies with an analytical framework for assessing the present condition and inspection needs of offshore pipelines. This process, known as the Offshore California Pipeline Inspection Survey (OCPIS) plan, will permit pipeline operators to develop inspection strategies that are tailored to the needs of individual pipelines based on the actual condition of the pipeline.

PIQIT member agencies have agreed to adopt the OCPIS plan as a basis for assessing the inspection needs of individual pipelines and are currently reviewing

the MOA. The MOA also provides for the sharing of information and results of research. The MMS has met with the Counties of Santa Barbara and Ventura and the City of Carpinteria to discuss the OCPIS. All parties are interested in participating in the OCPIS plan process. agencies are currently working on implementing the team's recommendations. The MMS has also circulated a copy of the final report to the Counties of Santa Barbara and Ventura and the City of Carpinteria and later met with them to brief them on report specifics. The local governments are very interested in participating in the process.

OPA 90

In 1995, the Pacific Region signed an MOA with the California Department of Fish and Game, Office of Oil Spill Prevention and Response (OSPR). The MOA provides for coordination between MMS and OSPR in the regulation of oil-spill contingency planning and response activities for offshore facilities in State waters and the Pacific OCS. Currently, the MMS and OSPR have developed the process for review of oil-spill contingency plans by both agencies. Additionally, both agencies are participating in joint oil-spill exercises and drills. The MOA also calls for coordination of oil-spill research. Recently, the Pacific Outer Continental Shelf Region (Pacific Region) held a meeting and discussed the latest research projects sponsored by MMS regarding various oil-spill response issues such as in situ burning, the use of dispersants, and remote sensing.

The Region is in the process of completing an OPA 90 Implementation Plan to ensure that all MMS-delegated responsibilities for OPA 90 are being properly implemented by the Pacific Region while also continuing to participate in joint exercises, drills, and the area contingency planning conducted by the U.S. Coast Guard as mandated by OPA 90. The Region has participated in the fourth round of annual revisions.

Working Groups

The Pacific Region and the CSLC have jointly agreed to establish working groups to improve interagency coordination. The working groups were formed to facilitate the review of projects, exchange technical and environmental expertise, and develop policies and procedures that mutually benefit the programs of the Commission and MMS.

Carpinteria Field Study - The joint Carpinteria Offshore Field study, involving MMS Pacific OCS Region, CSLC, Pacific Operators Offshore (POOI), the Federal lessee, and Los Alamos National Laboratory (LANL), has been ongoing for several years. The purpose of the study is to investigate the feasibility of maximizing recovery of bypassed oil through long-reach drilling from existing Federal platform(s) and full-field unitized secondary recovery operations of the Carpinteria Offshore Field. The necessary components of the study are large database management, geologic framework modeling, and large-scale grid reservoir simulation.

The Carpinteria Offshore Field, located in the eastern Santa Barbara Channel, is the only field in California that straddles the State-Federal boundary and has produced from both State and Federal leases. The three platforms in the Federal portion of the field are the only active units within the field. Due to economic conditions, two Chevron platforms (Hope and Heidi) were removed in August 1996.

Full-field technical results led to a redevelopment plan that includes the State portion of the field which is scheduled for the end of 1997. Department of Energy (DOE) support is provided to LANL through the Advanced Computation Technology Initiative (ACTI) program and to POOI through the Class III Reservoir program. The POOI has been negotiating with the State of California and Chevron for a subsurface rights assignment to assist the full-field development from the existing Federal platform(s). The primary LANL involvement is to work with the University of Houston in the preparation and running of the reservoir simulations. Based on the results of the simulation, a trilateral horizontal well (DOE -The Class III program) is now likely to be drilled in 1997 from a Federal OCS platform (Hogan) and is targeted to bottom in State lands.

Rocky Point Field Study - The MMS and the CSLC are working together to determine the oil and gas reserves for the Rocky Point and Jalama Fields in the western portion of the Santa Barbara Channel. The study will examine the structure and extent of the fields that may extend into State waters. Structural interpretations for the main producing horizons have been finalized by MMS and the CSLC. Geologic cross-

sections through the field are nearing completion. The MMS and the State continue to share data and technical expertise in evaluating the fields.

Abandonment Work Group - The MMS Pacific OCS Region and the CSLC are planning to jointly sponsor a 1997 Offshore Oil and Gas Facility Decommissioning and Removal Workshop to review the results of recent abandonment experiences in State waters and to address both onshore and offshore issues for future decommissioning of oil and gas facilities in State and Federal waters. The MMS and CLSC are working closely with a wide range of interested parties to develop plans for this upcoming public workshop, which will be held September 23-25, 1997, in Ventura, California.

Point Pedernales Well A-28 - The MMS is working with the CSLC in a cooperative effort to develop resources that may be contained within a potential State field adjacent to the Point Pedernales Unit. Well A-28 from Federal Platform Irene is being drilled to determine the extent of the Point Pedernales Field and may determine whether a State field exists to the southeast. An agreement for this lease line well has been reached between the Department and the State. The well is approximately 100 feet from the State-Federal boundary and is producing over 1,000 barrels of oil per day.

California Offshore Oil and Gas Energy Resources (COOGER) Study

Work continues on the COOGER Study. Dames & Moore, the prime contractor, has produced a preliminary

draft of the Tasks 2 & 3 report (Existing Conditions and Future Conditions Without Additional Oil and Gas Development) and is revising the draft in response to comments made by the Technical Management Team. The Technical Management Team, in concert with the contractor, is working on the development scenarios. A Steering Committee meeting was held on October 7, 1996. At this meeting, the general format of future public workshops was designed and the review process for documents prepared by the contractor for COOGER was refined. The next Steering Committee meeting will be scheduled after the completion of the next draft Tasks 2 and 3 report.

Chevron Decommissioning Project

On February 27, 1997, Chevron U.S.A. Inc. (Chevron) met with MMS to conceptually discuss their anticipated decommissioning of Platforms Hidalgo, Hermosa, Harvest, Gail, and Grace, including the onshore processing plants at Gaviota and Carpinteria. Chevron's current project timeline for decommissioning is approximately over the next 5 to 7 years.

Chevron has not yet submitted a proposal but is looking at several possible alternatives, which include partial removal of the platforms, total removal of the platforms (single-piece placement), and total removal (multiple-piece placement) or onshore disposal. Chevron is only at the conceptual stage at this time. The MMS plans on meeting with key Federal, State, and local regulatory agencies and other parties to discuss this project. The goal of these meeting(s) will be to share information and

promote open communication among all parties. This approach will facilitate the identification of permitting requirements and timetables, information needs, environmental concerns, and other issues that could have an important bearing on how decommissioning operations are conducted. This approach will also provide an opportunity for regulatory agencies to develop a more coordinated and streamlined process for reviewing and approving the projects. The first meeting is anticipated in late April 1997.

Exxon Santa Ynez Unit (SYU) Crude Oil Tankering

Santa Barbara County has long opposed tankering of crude oil from the Federal production off its coast. The MMS has worked to respect the County's perspective wherever possible in its Federal permitting process. Concern about tankering surfaced again in 1994, when Exxon (the largest producer of Federal crude offshore California) began to transport by tanker a portion of its Federal oil and gas produced offshore Santa Barbara County from facilities in San Francisco Bay to Los Angeles refineries. (The crude was transported to the San Francisco area by pipeline. There is insufficient pipeline capacity to transport the crude from Santa Barbara directly to Los Angeles.) The County initially asked the MMS to order Exxon to stop its tankering based on Exxon's Federal oil and gas permits. After analysis of this issue, the MMS found that the tankering

did not violate the terms of the Federal permits. The California Coastal Commission concurred with this finding and with the conditions imposed by the MMS on the tankering activity.

The County continued to object to Exxon's tankering and threatened to take action pursuant to permits Exxon holds for its onshore oil and gas processing facilities. (These permits were issued by the County.) Exxon sued in Federal Court to enjoin the County from interfering with its tankering activity.

The Federal District Court issued a decision in Exxon's favor on July 23, 1996, ruling that Santa Barbara County's permit did not prohibit the specific tankering at issue here and that the County cannot interfere with this tankering activity. The County has filed a Notice of Appeal to this decision with the 9th Circuit.

In June 1996, Under Secretary Garamendi issued a directive to MMS to support to the fullest extent practicable the policies of the State of California and the County of Santa Barbara, and particularly that Development and Production Plans (DPP) adequately reflect the principle that OCS crude oil transport be consistent with State and local policies.

In December 1996, the County dropped its 2-year battle. A settlement agreement with Exxon was signed calling for Exxon to end its claim for attorneys' fees and for the County to forgive the administrative fees it claimed Exxon owed.

High-Energy Seismic Surveys (HESS)

On September 30, 1996, the first HESS Team meeting was held at the University of California at Santa Barbara. Since the September meeting, the team has met monthly and has organized two subcommittees to address technical issues and to develop a review process.

The objective of the HESS Team, which is composed of representatives from governmental agencies, industry, and public interest groups, is to discuss the issues surrounding the use of high-energy marine seismic survey equipment offshore California and its potential influence on the marine environment and its resources.

Through a consensus process, which is facilitated by an independent third party, the team determined that its purpose and goal are to develop within a 1-year time-frame, a standardized set of acceptable procedures for review of high-energy seismic survey proposals for the geographic area from Point Piedras Blancas south to the Mexican border in State waters and Federal waters (defined as 200 miles) that would include public notification; public participation; interagency coordination and responsibilities; other review steps; mitigation and monitoring requirements that ensure protection of the marine environment; data gathering and reporting to assist in the evaluation of the effectiveness of mitigation measures; and processes for considering new information.

The team agreed to hold a 2-day Marine Mammal Technical Panel Workshop. The workshop is designed as a forum for 10-12 invited expert panel members to

discuss the scientific and technical questions raised by the HESS Team. Panel members include some of the Nation's leading experts in the fields of geophysics, acoustics, marine mammal behavior, marine mammal bioacoustics, marine mammal anatomy, and marine mammal aerial surveys. The workshop is cosponsored by Pepperdine University and will be held at its campus in Malibu, California.

Production in the Pacific Region

Production in the Pacific Region is averaging 175,000 barrels of oil per day with gas production at 192,000 thousand cubic feet per day. Fall-off in production from the record high of 200,000 barrels of oil per day in June 1995 is due primarily to the decrease in production at the Point Arguello Unit. However, incremental oil recovery is being gained in aging fields now under royalty relief granted using MMS's Net Revenue Share program.

Stanford University Petroleum Reservoir Engineering Research Program

The Pacific Region continues its sponsorship of petroleum engineering research at Stanford University. The MMS's primary objective of this affiliation is to obtain timely access to research results regarding the application of geostatistics to reservoir characterization, horizontal well performance, and well-testing interpretation; additional objectives include technical training of MMS personnel and access to state-of-the-art

computer programs. Recent MMS involvement has focused on the compilation and transmittal of an extensive database of petroleum geologic and production information from the Dos Cuadras Field in the Santa Barbara Channel, which will be used by Stanford researchers for reservoir characterization and horizontal well studies.

Point Arguello Unitization

The MMS received a request for compulsory unitization of the giant Point Arguello Field on August 6, 1996. The MMS reviewed and acted on the request, creating the Point Arguello Unit effective October 1, 1996. Formation of the unit will aid in the conservation of natural resources, prevention of waste, and protection of correlative rights. On January 1, 1997, Chevron became the unit operator, replacing Texaco on Platform Harvest and continuing on Platforms Hermosa and Hidalgo. Chevron has instituted a rigorous program to improve the economics of the operations offshore.

Royalty Relief in the Pacific Region

The Pacific Region has four approved cases under net revenue share royalty relief arrangements, granted as fields have reached critical points in their productive lives. The MMS Guidelines for the Application, Review, Approval, and Administration of Net Revenue Share Royalty Relief, published on June 24, 1996, are now in use and will provide a firm basis for future royalty relief

decisions in the Region. The Region's royalty relief team participated in an inter-agency debriefing in February 1997 regarding the program's administration, successes, and problems to date, since the program is a pilot for the first 2 years. The Region anticipates an application from the Point Arguello partners in the near future.

Outreach

The Pacific Region continues its efforts in education in the local area. Staff from the Region and the Districts continue to work with area educators and students sharing information through classroom presentations (marine biology, natural resources, geology, oil and gas exploration and development), field trips (geology and natural seeps), mentoring/coaching students on science fair projects and classroom and extra curricular science projects. Region staff have worked as science fair judges at local elementary and middle schools and at the Ventura County Science Fair. In addition, the Region works with the California Coastal Chapter of the American Petroleum Institute on the development and execution of the annual Energy Day. As in previous years, MMS had a booth at the event and invested considerable time and effort in discussing offshore oil and gas exploration and development as well as regulatory controls. As an incentive to educators to bring students to the exhibits, MMS provided three offshore platform trips. The Region has found this a valuable means of working directly with educators in teaching them about the management of the Nation's offshore resources, the role of the regulatory agencies, and the variety of careers associated with the activities.

California and the World Ocean '97

The Pacific Region is one of the sponsors of the conference that addressed California's "Agenda for the Future," the State's effort to "help the California Ocean Resources Management Program realize its mission of ensuring comprehensive and coordinated management, conservation, and enhancement of California's ocean resources for their intrinsic value and for the benefit of current and future generations." As a sponsor, the Pacific Region served on the program committee (in the selection of papers and organization of sessions), participated in conference planning, supported exhibits, etc. The conference, which was an important opportunity for MMS to work with the State in clarifying issues pertaining to offshore resource development, was held in San Diego, California, on March 24-27, 1997. Staff from MMS presented papers (11), chaired sessions (3), and presented poster sessions (2). Topics included cooperative problemsolving efforts, modeling and data use, effective oil-spill prevention and response, oil-spill research, offshore platforms and seismic activity, biological research, oceanographic research, and the use of science in decisionmaking.

Cooperation with County, State, and Federal Agencies

Air-Quality Coordination - The Pacific Region is continuing its cooperation with the U.S. EPA, State of

California, and local county air pollution control agencies to provide for a smooth and orderly transition of authority to regulate air emissions on the Offshore Program.

The MMS is continuing coordination with the delegated local air pollution control agencies regarding offshore operations through the formation of air-quality workgroups, which identify and address cross jurisdictional issues to ensure a consistent regulatory approach to OCS sources.

The MMS's coordination with EPA and the local agencies involves consultation with the delegated agencies on all operator submitted exemption requests regarding safety and technical feasibility concerns and facility inspections. The MMS continues to review facility modifications to ensure that they are both safe and technically feasible under MMS operating regulations and evaluates the impacts of new projects and facility modifications on coastal resources pursuant to National Environmental Policy Act (NEPA).

In 1995, the Santa Barbara County Air Pollution Control District consulted with the MMS and U.S. Coast Guard over several months, and the agencies reached a consensus that the retrofit installation and use of a flare on a particular gas platform would be technically infeasible and an unreasonable threat to health and safety. The operator proposed substitute controls and emission reduction offsets as required by the OCS Air Regulation.

In September 1996, the Ventura Air Pollution Control District initiated a consultation with the MMS and the U.S.

Coast Guard concerning emissions control measures on another platform.

The California State Lands Commission - The Commission is working with MMS on three important issues of mutual interest and responsibility. The two agencies have established three cooperative working groups to study the abandonment of offshore platforms and facilities, the seismic requalification of offshore structures, and joint field studies to maximize the recovery of reserves within selected Federal and State offshore fields.

California Division of Oil, Gas and Geothermal Resources - The California Division of Oil, Gas, and Geothermal Resources and the Conservation Committee of the California Oil and Gas Producers are working with MMS to exchange information for reporting field and reservoir reserve estimates for offshore California. This exchange provides a forum where reserves values are reviewed and reported consistently between agencies.

National Marine Fisheries Service - One of the Pacific Region's biologists is participating in field studies of pinnipeds being conducted on the California Channel Islands by the NMFS National Marine Mammal Laboratory in Seattle, Washington. These studies, which focus on the foraging ecology of California sea lions, involve the satellite tracking of individual animals at sea.

Eleventh Coast Guard District Area Committee - Representatives from the Pacific Region are actively involved in this Committee. The goal is to review selected sections of the completed Area Contingency

Plan. The Pacific Region has assigned personnel to serve on several of these subcommittees including Area Assessments, Summary of Area Resources, Organization, and Operations and Public Affairs. Representatives from both government and private entities with an interest in oil-spill response issues are also participating in the subcommittees. Area Contingency Plans have gone through several revisions to date.

California Department of Fish and Game - A Pacific Region biologist is participating in a series of offshore aerial surveys for seabirds and marine mammals being conducted for the State of California's Office of OSPR. The aerial surveys, under contract to the University of California, Santa Cruz, are designed to assess seabird and marine mammal abundance within an oil-spill trajectory area and to apply the data to marine wildlife models that project oil-spill-related mortality. Training/baseline aerial surveys are being conducted monthly in conjunction with major oil-spill exercises.

Gulf of Mexico Region Report

1997 Gulf of Mexico Lease Sales

Central Gulf of Mexico Sale 166 Attracts \$824 Million in High Bids - On March 5, 1997, Central Gulf of Mexico Lease Sale 166 attracted \$824 million in high bids from 81 companies. Of the 5,059 tracts offered, a record 1,790 bids were received on 1,032 tracts located offshore Louisiana, Mississippi, and Alabama. The total of all bids was over \$1.2 billion. More than half of the tracts receiving bids were in water depths in excess of 200 meters. The regional office is in the process of evaluating those high bids for economic adequacy.

Western Gulf of Mexico Sale 168 Scheduled for August 1997 - Western Gulf of Mexico Lease Sale 168 is scheduled for August 27, 1997. The Final Environmental Impact Statement (EIS) for this sale was filed with the U.S. Environmental Protection Agency (EPA) on December 27, 1996. The next major milestones for this sale are the Coastal Zone Management (CZM) consistency determinations to affected States and the Notice of Availability of the Proposed Notice of Sale in the *Federal Register*. This sale is the first Federal OCS lease sale under an approved Texas coastal management program.

1998 to Mid-2002 Gulf of Mexico Lease Sales

Central Gulf of Mexico - The five Central Gulf of Mexico sales scheduled to be held in March of each year during the 1998 through 2002 period are currently being analyzed in a multisale environmental analysis process. The MMS Director's Area Identification decision regarding those proposed sales, which formed the framework for the associated environmental analysis, was made on November 21, 1996. Hearings on the Draft EIS will be held in June 1997.

Western Gulf of Mexico - The four Western Gulf of Mexico sales scheduled to be held in August of each year during the 1998 through 2001 period have just begun to be assessed in the context of a multisale environmental analysis process. The Call for Information and Nominations and Notice of Intent to Prepare an EIS were published in the *Federal Register* on January 29, 1997. The deadline for comments on those published documents was March 15, 1997. The MMS Director's decision, which will form the framework for the multisale environmental analysis, is expected to be made in late April 1997.

Gulf of Mexico Central Planning Area Multisale EIS (Lease Sales 169, 172, 175, 178, and 182) - The first multisale draft EIS (DEIS) for the Gulf of Mexico Central Planning Area is nearing completion. The DEIS

is scheduled to be filed with the U.S. EPA on May 23, 1997; public hearings will be held in June 1997; and the comment period on the DEIS will close on July 22, 1997.

Outreach

Deep-water Environmental Workshop - In recognition of the new trend toward exploration and development in deep water, on April 22-24, 1997, MMS hosted an environmental workshop to enhance knowledge of the Gulf of Mexico's deep-water areas and to identify potential information needs that may warrant future research. The workshop was held in New Orleans.

MMS Opens Eastern Gulf of Mexico Information Office in Pensacola, Florida - For the past 2 years, the MMS's Gulf of Mexico Region has been actively involved with outreach efforts in the northwest Florida area, commonly called the "Panhandle." These opportunities have come in the form of one-on-one meetings with local government and civic leaders, press briefings and interviews, and formal presentations to larger audiences. This form of dialog and consultation has been aimed at opening lines of communication, minimizing misinformation, and building a working relationship that can be used to work through new issues as they arise.

In an effort to improve the Region's coordination of outreach efforts in this area and to better serve the Panhandle community as a whole, the decision was made to establish a satellite office in the Pensacola area

for a period of 6 months to evaluate its effectiveness. On December 5, 1996, the MMS opened its Eastern Gulf Information Office in Pensacola, Florida. The opening of this office was in response to an increased demand for information from Florida constituents concerning offshore oil and gas activities in Federal waters of the northeastern Gulf of Mexico.

This office provides area groups and individuals with a convenient point of contact with the MMS; improves communication opportunities with northwest Florida (Panhandle) communities, local leaders, environmental and civic groups, and other interested parties; and provides logistical support on eastern Gulf of Mexico issues.

The office, located at 41 North Jefferson Street, Suite 300, Pensacola, Florida, is open Monday through Friday, from 8:00 a.m. to 4:30 p.m. The office is staffed on a rotational basis by personnel detailed from the Gulf Region for periods of approximately 3 to 4 weeks.

Mobil Files for Permit to Drill a Well on

Pensacola Block 933 - On March 5, 1997, Mobil Oil Exploration and Producing Southeast Inc. (Mobil) filed an Application for Permit to drill a well on Pensacola Block 933. The proposed well would be drilled at a location approximately 17 miles from shore and in 90 feet of water. Earlier, on January 22, 1997, Mobil filed for an Air Emissions Permit with the U.S. Environmental Protection Agency. A public hearing on Mobil's Air Permit is tentatively scheduled for early May 1977. Mobil acquired six Pensacola blocks during OCS Lease Sale 116--Part 1, held in November 1988. The six blocks are located

approximately 10 to 20 miles due south of the mouth of Pensacola Bay, Florida, and in water depths less than 100 feet.

Amoco Commences Drilling Well in DeSoto

Canyon - On January 22, 1997, Amoco Production Company's Revised Plan of Exploration was approved by the MMS for the drilling of Well F, Lease G-10445, Block 177, DeSoto Canyon Area. The location is more than 100 miles offshore Florida and in approximately 1,900 feet of water. Amoco commenced drilling Well F the week of February 24, 1997.

Destin Dome Developmental EIS - On November 27, 1996, Chevron U.S.A. Inc. submitted its Destin Dome 56 Unit Development and Production Plan. The plan was amended on December 5, 1996. Additional information was requested of Chevron on January 6, 1997. Once the plan is deemed complete, a Notice of Intent to prepare an EIS will be published in the *Federal Register* and the Gulf Region will proceed with plans to conduct public scoping for the planned Developmental EIS.

Offshore Energy Development Corporation's (OEDC) Environmental Assessment - The initial Development Operations Coordination documents for producing and completing Well No. 1 in Pensacola, Block 881 and Destin Dome, Blocks 1 and 2 were submitted to the MMS on September 26, 1996. In December 1997, OEDC submitted three Bulk Gas Right-of-Way Pipeline Applications to the MMS for approval. A draft site-specific EA was completed by the MMS and submitted to the States of Florida and Alabama in February 1997.

The MMS has already received concurrence from Alabama.

Geographic Information System to be Developed to Assist in Plan Reviews

- The Gulf Region's Office of Leasing and Environment has been working with computer scientists at Jackson State University and MMS colleagues to develop a Geographic Information System (GIS) application that will be used for environmental reviews of offshore operation plans in the Gulf of Mexico. The GIS application will be integrated into an automated system for processing offshore plans in the Office of Leasing and Environment. The GIS is currently being implemented and promises improvements to the review process in efficiency, accuracy, and reliability.

Gulf-Wide Information System Project - The Office for Leasing and Environment has been coordinating and managing the Gulf-Wide Information System (G-WIS), a cooperative effort between the MMS and Gulf of Mexico coastal States, Federal agencies, and the oil and gas industry to develop an authoritative oil-spill geographic database. The database will be used by the MMS to review oil-spill contingency plans, as mandated by OPA 90, and in other environmental analyses and assessments. Also, the design of the G-WIS database is being incorporated by other Federal and State agency data holders promising improvements in the ease with which data can be shared between the MMS and others.

U.S.-Mexico Border Field Coordinating

Committee - On April 15-17, 1997, the Gulf of Mexico Region hosted a meeting of the U.S. Department of the

Interior's (DOI) U.S.-Mexico Border Field Coordinating Committee. The Committee is composed of representatives from each DOI bureau and was chartered to coordinate Interior Department activities along the border. The Committee met in New Orleans to discuss the status of various Department projects and planned for their participation in the Gulf of Mexico Region's December 1997 Information Transfer Meeting (ITM). One or more ITM sessions will be devoted to coastal and marine issues of the U.S.-Mexico border area; the sessions will be co-chaired by Committee members.

Information Transfer Meeting - The 17th ITM will take place December 16-18, 1997, at the Hotel Inter-Continental, 444 St. Charles Avenue, New Orleans, Louisiana. Suggested topics for sessions can be directed to Debbie Vigil at (504) 736-2406.

**Pilot Seafloor Impact Monitoring Project
Developed to Measure Effectiveness of**

Mitigation The Gulf Region has developed a pilot seafloor monitoring project to gauge the effectiveness of the its mitigation measures to protect biologically and culturally sensitive areas within oil and gas leases in the Gulf of Mexico. The pilot project involves monitoring three specific areas in the Gulf, two of which are biologically sensitive (the Pinnacle Trends Area in Main Pass Area, Blocks 225-249, and Sonnier Bank in Vermilion Area, Block 305) with the third area being an archaeologically sensitive block in High Island Area, Block 108. Each mission will accomplish multiple tasks, including inspection of the seafloor for evidence of anchor damage to sensitive features, an examination of the effectiveness of cleanup efforts following structure

removals, a determination of the potential exposure of well stubs cut off less than 5 meters below the seafloor, and possible applications of high-resolution sonar to determine the presence of biota around structures. The field work is scheduled to take place this spring and summer, and in-house marine scientists will conduct the pilot monitoring project. The monitoring project will utilize high-resolution 600 kHz sidescan sonar and differential global positioning system.

Pipeline Applications Involving Joint Regulatory

Approvals - The Destin Pipeline is a proposed 62-mile pipeline from a proposed platform in Main Pass Block 260 to a proposed receiving facility located onshore, near Pascagoula, Mississippi. This application is awaiting additional information for the preparation of an EA by the MMS and an EIS by the Federal Energy Regulatory Commission (FERC). The FERC has requested a copy of the MMS draft EA for use in preparing its EIS. Pan Energy is preparing an application to install a platform on their trunkline in SS 139. It refers to the proposed platform as "TRI MARS." The FERC has already begun evaluating this proposal.

Royalty-In-Kind Workshops Held - Royalty-In-Kind (RIK) workshops were held in Houston, Texas (March 18, 1997, OCS Oil RIK; March 19, OCS Gas RIK) and New Orleans, Louisiana (April 1, OCS Oil RIK; April 2, OCS Gas RIK). The following options were presented at these public meetings:

OCS Oil RIK Options

- OPTION 1:* Enhancement of 1995 Gas RIK Pilot, Applied to Oil.
- OPTION 2:* Aggregation and Limited Marketing by MMS at Onshore Location(s).
- OPTION 3:* Aggregation of Royalty Oil Volumes and Marketing by an Agent.

OCS Gas RIK Options

- OPTION 1:* Enhancement of 1995 RIK Pilot.
- OPTION 2:* Aggregation and Limited Marketing at First Onshore Location.
- OPTION 3:* Aggregation and Limited Marketing at Many First Onshore Locations.
- OPTION 4:* Aggregation and Aggressive Marketing at Various Onshore Locations.

Other concepts will be addressed after the first round of public meetings.

Gas Verification System to be Developed - A Gas Verification System (GVS) will be developed within the MMS's Gulf Region that will be an integrated system of manual and automated processes designed for the verification of gas sales volume, qualities, and ultimately,

royalty payments. This system will use metered sales volumes reports (gas volume statements) submitted by the facility operators and will compare the volume and quality data from these statements to the reported Production Accounting and Auditing System disposition volumes. The system will have an adjustable tolerance level in order to control the number of exceptions being generated, thereby allowing Offshore Minerals Management (OMM) and the Royalty Management Program (RMP) the flexibility to control the system based on the level of resources. The system will provide the framework for the MMS to verify and account for the gas volumes/qualities that are sold or transferred from offshore leases. The differences and discrepancies identified will provide a basis for oversight by OMM and RMP at the facility measurement point (FMP). These discrepancies and the resulting research and followup will serve as a source of data for correcting reporting discrepancies and for selecting possible audit candidates.

The proposed rule for amending MMS regulations governing oil and gas operations in the OCS to update production measurement and surface commingling requirements was published in the *Federal Register* on February 26, 1997. The MMS will consider all comments received by May 27, 1997.

The proposed rule would add the following when required by the Regional Supervisor:

- * Gas volume statements
- * Production quality data
- * Data concerning gas lost or used on the lease

The MMS would use the information to verify production measurements.

Offshore Atlas Project - The Gulf of Mexico Region, maintains extensive geologic and reservoir engineering files, including all well logs, all available paleontological reports, and complete history of gas and oil production. The Offshore Atlas Project (OAP) redefined the way the Office of Resource Evaluation looks at geological and geophysical data with respect to interpreting, categorizing, and storing data. The OAP is an effort to make publicly available for the first time a systematic compilation of Gulf reserves, production, and geologic data within a play-defined framework with the goal of assisting gas and oil companies to more efficiently discover and develop hydrocarbon resources in the northern Gulf of Mexico.

The Atlas is a joint effort of the Department of the Interior, the MMS, the University of Texas Bureau of Economic Geology, the Gas Research Institute, the U.S. Department of Energy, the Louisiana State University, and the Alabama State Geological Survey. In the Atlas more than 10,000 productive sands from about 1,100 fields have been placed into 1 of 91 producing hydrocarbon plays. Plays are defined by a combination of production, chronostratigraphy, lithostratigraphy, and structural style. Two separate Atlas volumes will be produced: Volume 1 for Miocene and older plays (available spring 1997) and Volume 2 for Plio-Pleistocene plays (available fall 1997).

Daily Oil and Gas Production Rate Projection Report Available - MMS Report 97-0006 entitled *Daily*

Oil and Gas Production Rate Projections from 1996 Through 2000 in the Gulf of Mexico became available in February 1997. The report projects the daily oil and gas production rates for the Gulf in that period forecasting an increase in both oil and natural gas production. The report can be found on the MMS Internet Home Page.

Spar Begins Production on Oryx's Neptune Project - The first well from Oryx's deep-water Neptune Project in the Gulf is producing at a rate of 4,800 barrels of oil equivalent per day. Six more wells should be producing from the field by the summer of 1997. The Neptune Project area is located 80 miles south of Mobile, Alabama.

Amoco Announces "Marlin" Deep-water Project On January 30, 1997, Amoco announced that it would spend \$500 million to develop its deep-water prospect "Marlin" (Viosca Knoll Block 915) that lies 125 miles southeast of New Orleans, Louisiana. The prospect lies in 3,240 feet of water. Amoco anticipates commencing production by 1999—producing up to 250 million cubic feet of natural gas and 40,000 barrels of oil per day. The prospect will be developed from a tension leg platform, to be installed in 1998.

Gulf of Mexico Deep-water Report Made Available to Public - In February 1997, the MMS announced the availability of its publication entitled *Deepwater in the Gulf of Mexico: America's New Frontier*, OCS Report MMS 97-0004. Deepwater refers to water depths greater than 1,000 feet. The report describes the extent and types of oil and gas exploration and development activities that are taking place in the

Gulf's deep-water areas. These activities are further considered in relation to their effects on MMS operations and workloads.

Gulf of Mexico OCS Activities FY 1992 - FY 1998

	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997*	FY 1998*
Industry Activity							
Total Active Leases				15,000	5,196	6,500	7,500
Exploratory Wells Drilled	210	318	387	361	446	460	480
Exploration/Development Plans	407	572	719	711	768	800	850
Deepwater Operations Plans	-	-	-	-	13	40	50
MMS Gulf of Mexico OCS Region Activity							
Environmental Assessments	203	231	198	145	236	245	260
Categorical Exclusion Reviews	733	927	1,143	1,138	1,196	1,350	1,500
Air Quality Reviews	355	602	1,148	1,255	998	1,400	1,600
Archaeological Reviews	488	406	648	664	740	900	1,000
Oil Spill Plan Reviews	589	851	752	879	604	1,100	1,200
Inspections	7,500	9,100	9,900	10,500	10,600	11,600	12,700
G&G Permits Processed	126	126	135	106	126	140	150

* projected